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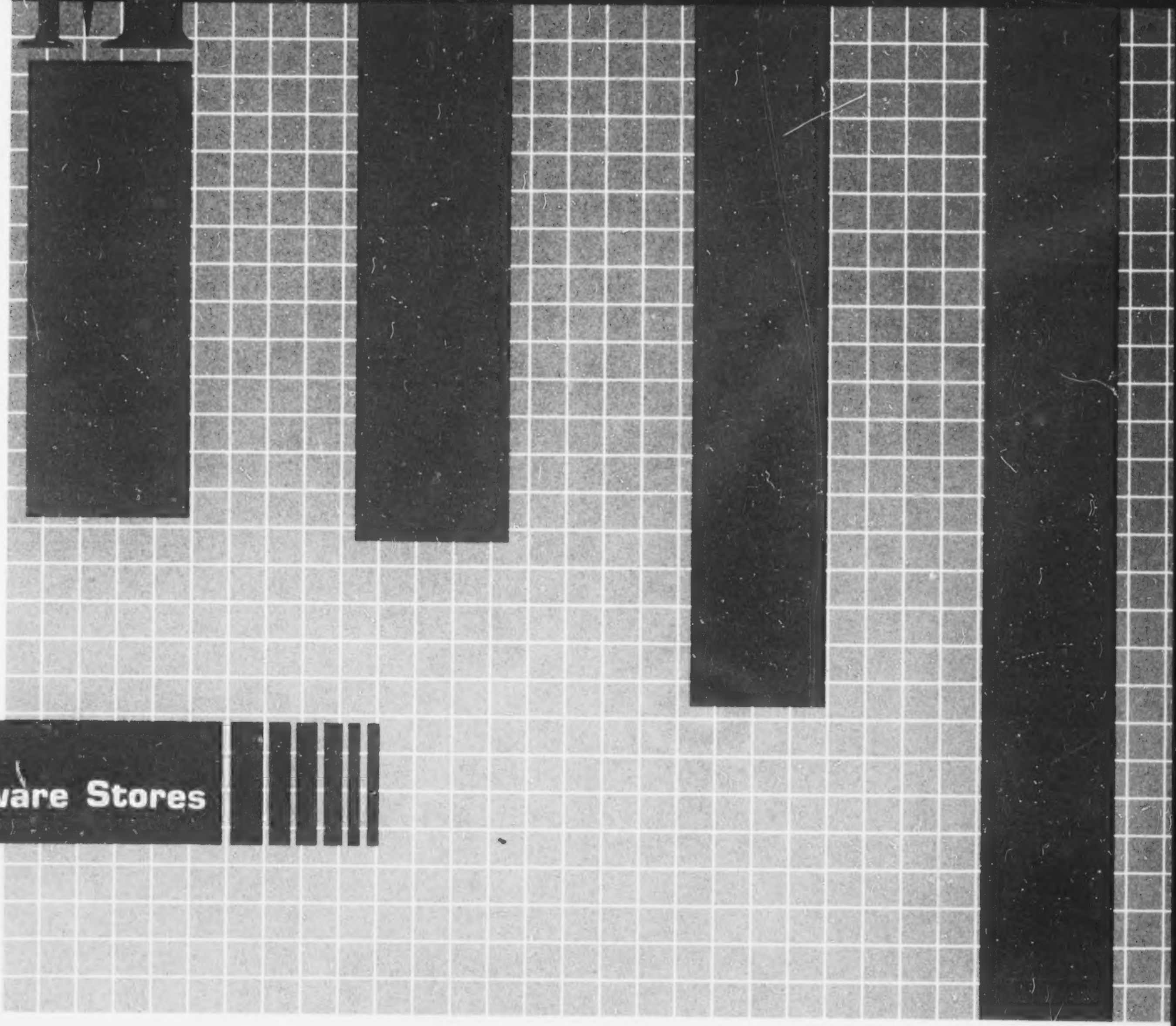
THE 1986 MANAGEMENT REPORT

For Hardware Stores



NRHA National Retail Hardware Association
Comprised of twenty-one regional and state hardware associations and Canada

August 31, 1986

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To Retailers Serving Do-It-Yourself Consumers:

In recent years the Do-It-Yourself industry has experienced a proliferation of store units unparalleled in the history of hard goods retailing.

Today's competitive arena demands a higher degree of management skill and merchandising expertise of the retailer who plans to hold or expand his share of a growing market.

Nothing is more critical in retail management than an accurate analysis of operating costs, margins, and financial ratios to indicate the relative strengths and weaknesses of an individual retail operation. That is the purpose of this industry-wide compilation of financial operations data. It can be an invaluable tool in your process of analysis and future planning.

Compare your operating results with those reported by hundreds of other retailers to determine those areas which must be strengthened or more strictly controlled to produce the results necessary to permit your business to prosper and grow during this critical period.

If you submitted your financial data for this study, you have received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If not, please plan to supply us with your results next year. All individual store data is strictly confidential.

We are indebted to all retailers who provided input data to make this study possible, and we hope you will use it to improve your future operating results.

Very truly yours,

Richard H. Lambert

RICHARD H. LAMBERT
Managing Director

RHL/tm

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NRHA
National
Retail Hardware
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Introduction

The Management Report

The 1986 Management Report presents financial operating data for retail hardware operations. The Report is designed to fulfill several objectives:

- To assess financial performance of retail hardware stores in 1985
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Management Report is divided into four major sections: Historical Trends for 1981 through 1985; The Strategic Profit Model; Average Operating Results for 1985; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provide us with detailed information on their operations. Mail questionnaires were sent to hardware store operators in February, 1986. Nine hundred and one usable returns were received by June 15, 1986 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Management Report for Hardware Stores are The Bottom Line for Home Centers and The Profit Report for DIY Lumber Outlets.

For Assistance

Assistance and aid in interpreting The 1986 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association.

Historical Trends

	ALL HARDWARE STORES FISCAL YEAR				
Income Statement Data	**1985**	**1984**	**1983**	**1982**	**1981**
Net Sales Volume	$645,939	$676,017	$567,212	$545,194	$515,032
Gross Sales	102.13%	102.14%	102.19%	102.33%	102.04%
Less: Total Deductions	2.13	2.14	2.19	2.33	2.04
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.69	67.00	65.66	65.55	65.00
Margin Before Purchase Rebate or Patronage Dividend	34.31	33.00	34.34	34.45	35.00
Purchase Rebate or Patronage Dividend	1.05	1.04	1.14	1.15	—
Margin After Purchase Rebate or Patronage Dividend	35.36	34.04	35.48	35.60	35.00
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	4.43	4.93	5.58	5.58	5.27
Salaries/Wages — Other Employees	11.69	11.01	11.60	11.55	11.62
Federal and State Payroll Taxes	1.58	1.39	1.34	1.29	1.22
Group Insurance	.66	.66	.70	.61	.54
Benefit Plans	.39	.43	.47	.40	.39
Total Payroll and Other Employee Expense	18.75	18.42	19.69	19.43	19.04
Occupancy Expense					
Heat, Light, Power, Water	1.13	1.17	1.19	1.21	1.12
Building Repairs and Maintenance	.16	.25	.31	.15	.25
Rent or Ownership in Real Estate**	3.85	3.53	3.76	3.72	3.62
Total Occupancy Expense	5.14	4.95	5.26	5.08	4.99
Other Costs of Doing Business					
Advertising and Promotion	2.53	2.28	2.38	2.30	2.30
Insurance (Other than Real Estate or Group)	.72	.64	.71	.80	.86
Taxes (Other than Real Estate and Payroll)	.43	.31	.33	.38	.33
Interest (Other than Real Estate)	1.40	1.53	1.42	1.73	1.59
Depreciation (Other than Real Estate)	.98	.94	.88	.84	.69
All Other Expenses	3.88	3.57	3.59	3.66	3.42
Total Other Costs of Doing Business	9.94	9.27	9.31	9.71	9.19
Total Operating Expenses	33.83	32.64	34.26	34.22	33.22
Operating Profit or Loss	1.53	1.40	1.22	1.38	1.78
Other Income	1.55	1.50	1.51	1.43	1.53
Net Operating Profit or Loss (Before Income Taxes)	3.08	2.90	2.73	2.81	3.31
Financial Performance					
Profit on Investment	12.10%	11.08%	9.76%	10.57%	12.26%
Active Owner's Return	29.50%	29.28%	29.73%	31.56%	29.42%
Current Asset Ratio	3.44x	3.49x	3.52x	3.55x	3.43x
Quick Asset Ratio	1.00x	1.03x	1.01x	.99x	.95x
Total Debt to Tangible Net Worth	93.19%	93.57%	85.75%	89.64%	90.37%
Stock Turn Times	2.49x	2.59x	2.40x	2.43x	2.39x
Sales to Inventory Ratio	3.79x	3.87x	3.66x	3.70x	3.67x
Average Inventory per Sq. Ft. Sales Area	$29.82	$13.14	$27.23	$26.00	$26.71
Net Sales to Accounts Receivable	20.65x	18.49x	19.58x	21.43x	20.87x
Net Sales to Total Assets	2.03x	1.98x	1.92x	1.99x	1.95x
Net Sales to Net Worth	3.92x	3.83x	3.58x	3.76x	3.71x
Net Sales to Net Working Capital	3.76x	3.75x	3.60x	3.63x	3.66x
Other Operating Data					
Credit Sales — % of Total Gross Sales	28.02%	31.86%	31.57%	26.74%	34.05%
Consumer Sales — % of Total Gross Sales	76.73%	78.13%	81.70%	83.17%	88.62%
Selling Area — Square Feet	6,177	6,161	6,109	6,274	5,766
Sales Per Square Foot — Selling Area	$106.76	$111.73	$92.84	$86.90	$89.32
Total Area — Square Feet	9,009	9,341	9,059	8,915	8,644
Sales Per Square Foot — Total Area	$73.58	$74.05	$62.62	$61.15	$59.58
Sales Per Person Employed	$69,108	$61,530	$61,196	$60,825	$59,628
Sales Per Customer	$9.83	$11.01	$9.59	$8.83	$9.08

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Historical Trends

Department	Percent of Net Sales**					Sales Per Square Foot				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	16.5%	17.5%	18.1%	19.7%	22.2%	$ 99.85	$110.73	$101.24	$99.54	$93.72
Hand Tools*	7.0	6.7	6.8	5.2	6.8	100.26	121.24	84.41	77.88	78.32
Power Tools & Accessories*	4.5	4.7	4.8	3.0		114.49	104.13	89.50	79.01	
Plumbing, Heating & Cooling	13.5	12.8	12.7	11.0	11.5	111.53	137.57	91.84	89.38	91.70
Electrical Supplies	10.4	9.6	9.5	7.6	7.6	118.68	147.41	106.62	94.39	85.47
Paint & Home Decorating	11.0	11.2	11.1	11.8	11.1	114.19	124.60	101.10	86.92	92.69
Lumber	1.1	.7	1.0	.6	1.3	108.69	63.65	132.90	125.42	82.40
Building Materials	1.9	1.3	1.6	2.0	2.1	106.39	95.93	140.84	92.33	81.90
Lawn & Garden	11.0	10.2	9.5	11.3	10.2	115.59	115.65	81.95	92.66	88.08
Housewares	7.3	7.6	8.5	9.8	11.2	71.47	71.16	73.78	64.89	60.97
Automotive Supplies	2.8	2.8	2.5	2.6	2.2	102.15	146.70	100.72	85.07	81.65
Major Appliances & Home Entertainment	3.2	2.3	3.1	3.2	2.8	123.34	113.88	29.41	106.30	92.76
Sporting Goods & Outdoor Living	3.2	3.3	4.1	4.5	5.0	89.07	87.56	93.69	98.99	73.91
Miscellaneous Goods	6.6	9.8	6.7	7.7	6.0	109.58	127.92	78.37	97.90	65.60

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	3.2x	3.6x	3.4x	3.6x	3.6x	$1.41	$1.53	$1.47	$1.57	$1.51
Hand Tools*	3.5	3.9	3.5	3.8	2.9	1.36	1.47	1.26	1.41	1.05
Power Tools & Accessories*	3.8	3.2	3.5	3.8		1.14	.98	1.13	1.30	
Plumbing, Heating & Cooling	4.6	4.5	4.0	3.9	3.9	1.98	1.85	1.65	1.63	1.64
Electrical Supplies	4.5	4.6	4.1	4.0	3.8	1.86	1.85	1.70	1.65	1.62
Paint & Home Decorating	4.6	4.2	5.3	3.9	4.4	1.79	1.57	2.04	1.55	1.81
Lumber	3.5	2.6	3.1	3.0	3.6	.99	.72	1.03	1.07	1.15
Building Materials	4.0	2.7	3.8	3.0	2.9	1.38	.89	1.39	1.18	1.09
Lawn & Garden	4.6	4.0	3.9	4.3	3.8	1.66	1.40	1.37	1.48	1.36
Housewares	3.6	3.0	2.9	3.1	3.0	1.25	1.03	.99	1.13	1.07
Automotive Supplies	3.9	4.4	4.1	3.8	3.6	1.39	1.50	1.33	1.38	1.28
Major Appliances & Home Entertainment	4.1	3.5	3.5	3.8	4.3	1.03	.88	.83	1.01	1.20
Sporting Goods & Outdoor Living	3.6	3.1	3.3	3.2	3.0	1.15	.96	1.10	1.10	.98
Miscellaneous Goods	4.0	4.6	3.5	4.2	3.9	1.41	1.57	1.30	1.45	1.52

*Hand and Power Tools were not reported as separate categories in 1981.
**Average Hardware store.

Monthly Sales

Month	1985	1984	1983	1982	1981
January	6.5	6.4	6.0	6.6	6.4
February	5.8	5.8	5.5	5.8	5.8
March	7.1	6.8	6.7	7.2	7.0
April	8.9	8.4	8.2	8.6	8.9
May	9.8	9.9	9.6	10.0	9.4
June	9.3	10.1	9.7	9.1	9.6
July	8.9	8.7	9.0	8.9	8.9
August	8.7	8.5	8.6	8.2	8.4
September	8.0	8.1	8.2	8.1	7.9
October	8.5	8.4	8.4	8.5	8.6
November	8.6	8.6	8.6	8.4	8.1
December	9.9	10.3	11.5	10.6	11.0

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

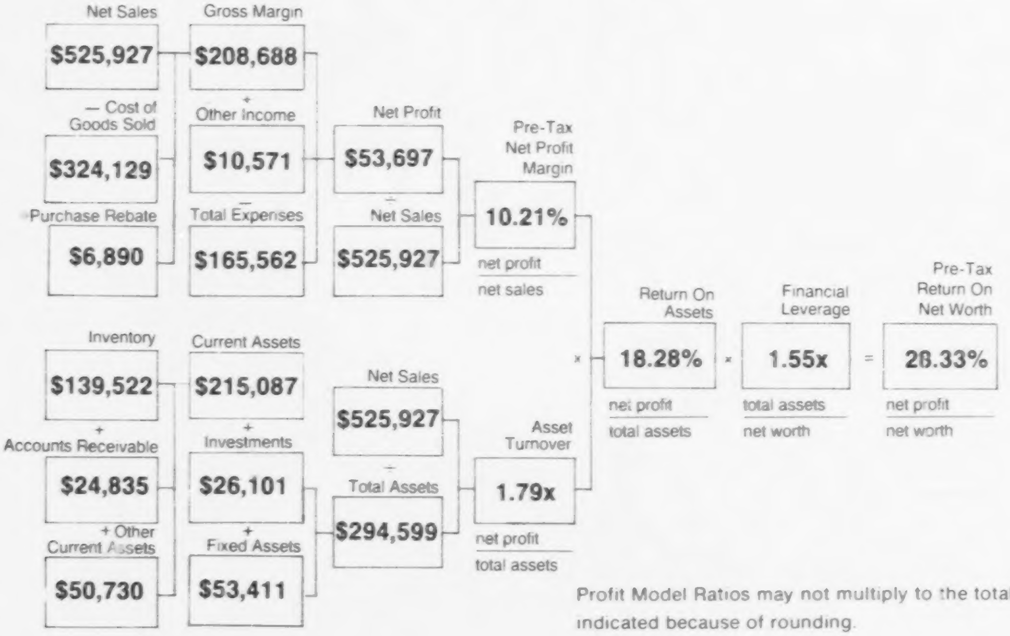
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores


Net Sales
$525,927
Gross Margin
$208,688
— Cost of Goods Sold
$324,129
+
Other Income
$10,571
Net Profit
$53,697
Pre-Tax Net Profit Margin
+ Purchase Rebate
$6,890
—
Total Expenses
$165,562
÷
Net Sales
$525,927
10.21%
net profit
net sales
Return On Assets
Financial Leverage
Pre-Tax Return On Net Worth
Inventory
$139,522
Current Assets
$215,087
Net Sales
$525,927
×
18.28%
×
1.55x
=
28.33%
net profit
total assets
total assets
net worth
net profit
net worth
+
Accounts Receivable
$24,835
+
Investments
$26,101
÷
Total Assets
$294,599
Asset Turnover
1.79x
net profit
total assets
+ Other Current Assets
$50,730
+
Fixed Assets
$53,411

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of Hardware Store	1985 Net Sales $	Sales Increase Over 1984* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Hardware Stores	645,939	+4.04	35.36	3.08	12.10	2.49
Low Profit	518,250	+1.83	32.26	-2.99	-16.49	2.20
High Profit	525,927	+5.32	39.68	10.21	28.35	2.37
Sales Volume Size						
Under $250,000	163,782	-1.45	37.27	2.12	6.59	1.61
$250,000 to $499,999	359,768	+3.01	36.24	3.23	11.10	1.99
$500,000 to $749,999	611,365	+3.11	36.51	3.08	11.79	2.40
$750,000 or more	1,370,871	+5.07	34.58	3.13	13.26	2.88
Sales Floor Size						
Under 3,000 Sq. Ft.	288,642	+3.14	36.54	3.87	13.10	2.33
3,000 to 4,999 Sq. Ft.	393,480	+4.60	36.27	3.89	13.32	2.27
5,000 to 9,999 Sq. Ft.	672,948	+4.07	35.89	2.95	11.11	2.47
10,000 Sq. Ft. or more	1,594,196	+4.41	34.14	2.91	12.79	2.79
Type of Ownership						
Proprietorship	278,571	+3.07	36.20	5.30	17.69	2.12
Partnership	345,701	+4.43	32.67	4.68	18.16	2.19
Corporation	754,057	+4.24	35.53	2.99	11.81	2.56
Trade Area Size						
M.S.A.-Central City	821,421	+6.95	39.73	3.90	19.71	3.02
M.S.A.-Suburban	699,477	+2.64	38.04	2.96	10.54	2.63
Cities-10,000-50,000	813,435	+3.22	35.03	2.85	10.71	2.50
Rural Areas Under 10,000	522,629	+3.97	33.72	3.14	11.79	2.35
Store Location: Part I						
Downtown	556,165	+2.46	35.30	2.91	9.92	2.35
Suburban	801,085	+6.31	36.33	3.55	15.55	2.66
Rural	605,091	+ .88	31.95	2.92	10.28	2.58
Store Location: Part II						
Shopping Center—Neighborhood	627,240	+5.82	37.64	3.93	19.08	2.45
Shopping Center—Community or Regional	587,415	+5.41	36.92	2.69	10.56	2.33
Free-Standing—No Stores Adjacent	830,549	+5.80	34.20	3.63	12.64	2.52
Free-Standing—Stores Nearby	615,034	+3.26	35.20	2.89	11.17	2.62
Number of Stores						
Single Store Business	643,803	+3.58	35.42	3.10	12.18	2.48
Multiple Store Business	662,491	+7.79	34.95	2.95	11.55	2.61

*As Reported by The Management Report Contributors

Monthly Sales

	%		%		%
January	6.5	May	9.8	September	8.0
February	5.8	June	9.3	October	8.5
March	7.1	July	8.9	November	8.6
April	8.9	August	8.7	December	9.9

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	901	226	225
Net Sales Volume	$645.939	$518.250	$525.927
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+4.04%	+1.83%	+5.32%
Gross Sales	102.13%	102.29%	102.01%
Less: Total Deductions	2.13	2.29	2.01
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.69	68.81	61.63
Margin Before Purchase Rebate or Patronage Dividend	34.31	31.19	38.37
Purchase Rebate or Patronage Dividend	1.05	1.07	1.31
Margin After Purchase Rebate or Patronage Dividend	35.36	32.26	39.68
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.43	4.42	4.32
Salaries/Wages — Other Employees	11.69	11.22	11.40
Federal and State Payroll Taxes	1.58	2.36	1.33
Group Insurance	.66	.71	.65
Benefit Plans	.39	.33	.27
Total Payroll and Other Employee Expense	18.75	19.04	17.97
Occupancy Expense			
Heat, Light, Power, Water	1.13	1.37	1.07
Building Repairs and Maintenance	.16	.15	.19
Rent or Ownership in Real Estate**	3.85	4.61	3.21
Total Occupancy Expense	5.14	6.13	4.47
Other Costs of Doing Business			
Office Supplies and Postage	.45	.47	.49
Advertising and Promotion	2.53	2.81	2.15
Donations	.07	.05	.09
Telephone and Telegraph	.34	.36	.33
Bad Debts	.18	.13	.15
Credit Card Expense (Bank Charges)	.15	.11	.11
Delivery Expenses (Other than Wages)	.46	.56	.50
Leasing Expenses (Non-Occupancy)	.13	.13	.14
Insurance (Other than Real Estate and Group)	.72	.78	.67
Taxes (Other than Real Estate and Payroll)	.43	.29	.44
Interest (Other than Real Estate)	1.40	2.32	1.16
Depreciation (Other than Real Estate)	.98	1.18	.91
Store and Shop Supplies	.50	.64	.48
Legal and Accounting	.46	.57	.39
Computer Services and Expenses (Other than Wages)	.10	.06	.10
Dues and Subscriptions	.09	.10	.09
Travel, Buying, Entertainment	.26	.26	.25
Miscellaneous Services (Laundry, Disposal, Etc.)	.12	.14	.09
Unclassified Expenses	.57	.58	.50
Total Other Costs of Doing Business	9.94	11.54	9.04
Total Operating Expenses	33.83	36.71	31.48
Operating Profit or Loss	1.53	- 4.45	8.20
Other Income	1.55	1.46	2.01
Net Operating Profit or Loss (Before Income Taxes)	3.08	- 2.99	10.21

* As reported to us by The Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.

†† Defined as the top twenty-five percent of all contributors based on Net Profit.

All Stores

Balance Sheet Data	**All Hardware Stores**	**Low† Profit Stores**	**High†† Profit Stores**
Total Dollar Assets	$318,171	$270,628	$294,599
	% of Total Assets		
Assets			
Cash On Hand and In Bank	6.26	3.74	9.05
Notes and Installment Contracts Receivable	3.40	2.87	4.38
Accounts Receivable	9.83	9.14	8.43
Merchandise Inventory (End of Year)	53.98	59.60	47.36
Other Current Assets	2.64	2.19	3.79
Total Current Assets	76.11	77.54	73.01
Stocks and Bonds	4.36	3.66	4.24
Real Estate (Not Used In Business)	.23	.15	.53
Other Investments	3.86	3.02	4.09
Total Investments	8.45	6.83	8.86
Land (Owned and Used In Business)	1.92	2.11	2.84
Buildings (Owned and Used in Business Less Depreciation)	5.67	5.41	7.92
Leasehold Improvements (Less Amortization Allowance)	.97	1.08	.91
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.61	4.93	4.06
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.21	1.08	1.45
Other Fixed Assets	1.06	1.02	.95
Total Fixed Assets	15.44	15.63	18.13
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.06	12.55	7.19
Current Portion of Notes Payable	3.50	5.73	1.72
Accrued Payroll Taxes	.51	.57	.49
Accrued Other Taxes	1.34	1.23	1.21
Other Accrued Expenses	1.61	2.01	1.16
Other Current Liabilities	4.11	4.55	2.91
Total Current Liabilities	22.13	26.64	14.68
Notes Due Partners/Officers	6.03	9.22	4.41
Mortgage Payable	4.22	4.43	5.36
Long Term Debt	14.85	23.50	10.34
Other Long Term Liabilities	1.00	1.42	.90
Total Long Term Liabilities	26.10	38.57	21.01
Total Liabilities	48.23	65.21	35.69
Net Worth	51.77	34.79	64.31
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	12.10%	- 16.49%	28.35%
Active Owner's Return	29.50%	7.84%	40.35%
Current Asset Ratio	3.44x	2.91x	4.97x
Quick Asset Ratio	1.00x	.67x	1.75x
Total Debt to Tangible Net Worth	93.19%	187.48%	55.52%
Stock Turn Times	2.49x	2.20x	2.37x
Sales to Inventory Ratio	3.79x	3.20x	3.85x
Average Inventory per Sq. Ft. Sales Area	$29.82	$27.69	$29.73
Net Sales to Accounts Receivable	20.65x	20.94x	21.17x
Net Sales to Total Assets	2.03x	1.91x	1.79x
Net Sales to Net Worth	3.92x	5.51x	2.78x
Net Sales to Net Working Capital	3.76x	3.76x	3.06x
Other Operating Data			
Credit Sales — % of Total Gross Sales	28.02%	26.73%	29.85%
Consumer Sales — % of Total Gross Sales	76.73%	77.31%	74.33%
Selling Area — Square Feet	6,177	6,112	4,926
Sales Per Square Foot — Selling Area	$106.76	$81.10	$109.74
Total Area — Square Feet	9,009	8,243	7,348
Sales Per Square Foot — Total Area	$73.58	$60.37	$74.75
Sales Per Person Employed	$69,108	$63,321	$66,213
Sales Per Customer	$9.83	$10.04	$9.25

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	**Sales Under $250,000**	**$250,000 To $499,999**	**$500,000 To $749,999**	**Sales $750,000 Or More**
Number of Stores	186	303	161	251
Net Sales Volume	$163,782	$359,768	$611,365	$1,370,871
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	-1.45%	+3.01%	+3.11%	+5.07%
Gross Sales	102.02%	101.78%	102.02%	102.28%
Less: Total Deductions	2.02	1.78	2.02	2.28
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.74	64.88	64.55	66.44
Margin Before Purchase Rebate or Patronage Dividend	36.26	35.12	35.45	33.56
Purchase Rebate or Patronage Dividend	1.01	1.12	1.06	1.02
Margin After Purchase Rebate or Patronage Dividend	37.27	36.24	36.51	34.58
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.88	4.94	4.69	4.07
Salaries/Wages — Other Employees	9.58	11.03	12.14	11.96
Federal and State Payroll Taxes	1.28	1.35	1.48	1.71
Group Insurance	.58	.67	.65	.67
Benefit Plans	.10	.29	.21	.49
Total Payroll and Other Employee Expense	17.42	18.28	19.17	18.90
Occupancy Expense				
Heat, Light, Power, Water	1.94	1.42	1.22	.93
Building Repairs and Maintenance	.19	.17	.15	.16
Rent or Ownership in Real Estate**	4.80	4.13	4.13	3.59
Total Occupancy Expenses	6.93	5.72	5.50	4.68
Other Costs of Doing Business				
Office Supplies and Postage	.54	.54	.50	.40
Advertising and Promotion	2.48	2.56	2.50	2.53
Donations	.07	.09	.07	.06
Telephone and Telegraph	.56	.38	.35	.30
Bad Debts	.18	.17	.18	.18
Credit Card Expense (Bank Charges)	.13	.11	.14	.17
Delivery Expenses (Other than Wages)	.84	.57	.46	.40
Leasing Expenses (Non-Occupancy)	.14	.09	.16	.13
Insurance (Other than Real Estate and Group)	1.11	.85	.76	.63
Taxes (Other than Real Estate and Payroll)	.45	.42	.43	.43
Interest (Other than Real Estate)	2.31	1.86	1.31	1.20
Depreciation (Other than Real Estate)	1.15	1.02	1.02	.94
Store and Shop Supplies	.64	.55	.48	.48
Legal and Accounting	.80	.55	.48	.40
Computer Services and Expenses (Other than Wages)	.03	.06	.08	.12
Dues and Subscriptions	.13	.11	.09	.08
Travel, Buying, Entertainment	.22	.23	.23	.28
Miscellaneous Services (Laundry, Disposal, etc.)	.13	.15	.11	.12
Unclassified Expenses	.61	.57	.71	.53
Total Other Costs of Doing Business	12.52	10.88	10.06	9.36
Total Operating Expenses	36.87	34.88	34.73	32.96
Operating Profit or Loss	.40	1.36	1.78	1.62
Other Income	1.72	1.87	1.30	1.51
Net Operating Profit or Loss (Before Income Taxes)	2.12	3.23	3.08	3.13

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Volume Size

Balance Sheet Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Total Dollar Assets	$115,205	$209,271	$299,246	$612,177
	% of Total Assets			
Assets				
Cash On Hand and In Bank	4.96	6.49	7.80	5.87
Notes and Installment Contracts Receivable	2.14	3.23	3.11	3.73
Accounts Receivable	5.83	8.45	8.97	11.23
Merchandise Inventory (End of Year)	56.99	56.37	55.66	52.03
Other Current Assets	1.27	2.11	1.82	3.31
Total Current Assets	71.19	76.65	77.36	76.17
Stocks and Bonds	3.66	4.57	5.32	4.07
Real Estate (Not Used in Business)	.98	.30	.17	.11
Other Investments	4.17	3.50	3.08	4.21
Total Investments	8.81	8.37	8.57	8.39
Land (Owned and Used in Business)	3.94	2.03	2.17	1.51
Buildings (Owned and Used in Bus. Less Depre.)	9.15	5.69	4.47	5.56
Leasehold Improvements (Less Amortization Allowance)	.53	.78	.60	1.23
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	4.34	3.97	4.42	4.98
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.13	1.29	1.01	1.25
Other Fixed Assets	.91	1.22	1.40	.91
Total Fixed Assets	20.00	14.98	14.07	15.44
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.35	8.32	11.49	12.58
Current Portion of Notes Payable	4.51	3.05	3.19	3.65
Accrued Payroll Taxes	.59	.63	.56	.44
Accrued Other Taxes	.93	1.07	1.26	1.53
Other Accrued Expenses	.76	1.08	1.16	2.09
Other Current Liabilities	6.10	3.95	2.71	4.35
Total Current Liabilities	20.24	18.10	20.37	24.64
Notes Due Partners/Officers	6.64	6.35	6.99	5.51
Mortgage Payable	8.40	5.47	4.85	2.93
Long Term Debt	16.93	18.67	13.63	13.36
Other Long Term Liabilities	2.04	1.42	.85	.73
Total Long Term Liabilities	34.01	31.91	26.32	22.53
Total Liabilities	54.25	50.01	46.69	47.17
Net Worth	45.75	49.99	53.31	52.83
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	6.59%	11.10%	11.79%	13.26%
Active Owner's Return	24.87%	28.07%	29.76%	30.53%
Current Asset Ratio	3.52x	4.24x	3.80x	3.09x
Quick Asset Ratio	.70x	1.12x	1.07x	.98x
Total Debt to Tangible Net Worth	118.54%	99.97%	87.63%	89.24%
Stock Turn Times	1.61x	1.99x	2.40x	2.88x
Sales to Inventory Ratio	2.53x	3.07x	3.73x	4.33x
Average Inventory per Sq. Ft. Sales Area	$20.14	$26.39	$29.79	$34.22
Net Sales to Accounts Receivable	24.39x	20.33x	22.78x	19.94x
Net Sales to Total Assets	1.42x	1.72x	2.04x	2.24x
Net Sales to Net Worth	3.11x	3.44x	3.83x	4.24x
Net Sales to Net Working Capital	2.79x	2.94x	3.58x	4.34x

Other Operating Data

Credit Sales — % of Total Gross Sales	24.66%	30.25%	28.14%	27.57%
Consumer Sales — % of Total Gross Sales	80.48%	75.94%	75.51%	75.77%
Selling Area — Square Feet	3,443	4,699	6,036	9,907
Sales Per Square Foot — Selling Area	$48.28	$76.37	$100.82	$140.82
Total Area — Square Feet	4,754	6,873	9,114	14,256
Sales Per Square Foot — Total Area	$35.07	$52.39	$67.40	$96.65
Sales Per Person Employed	$41,739	$59,433	$66,192	$78,813
Sales Per Customer	$8.18	$7.41	$9.24	$11.42

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	136	203	336	106
Net Sales Volume	$288,642	$393,480	$672,948	$1,594,196
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.14%	+4.60%	+4.07%	+4.41%
Gross Sales	101.33%	101.60%	102.14%	102.58%
Less: Total Deductions	1.33	1.60	2.14	2.58
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.18	64.71	65.25	66.84
Margin Before Purchase Rebate or Patronage Dividend	35.82	35.29	34.75	33.16
Purchase Rebate or Patronage Dividend	.72	.98	1.14	.98
Margin After Purchase Rebate or Patronage Dividend	36.54	36.27	35.89	34.14
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.86	5.50	4.75	4.01
Salaries/Wages — Other Employees	11.19	10.92	11.99	11.39
Federal and State Payroll Taxes	1.34	1.37	1.41	2.04
Group Insurance	.59	.75	.64	.69
Benefit Plans	.26	.29	.37	.56
Total Payroll and Other Employee Expense	18.24	18.83	19.16	18.69
Occupancy Expense				
Heat, Light, Power, Water	1.19	1.14	1.16	.99
Building Repairs and Maintenance	.20	.17	.17	.17
Rent or Ownership in Real Estate**	3.67	4.20	3.86	3.71
Total Occupancy Expense	5.06	5.51	5.19	4.87
Other Costs of Doing Business				
Office Supplies and Postage	.50	.50	.50	.37
Advertising and Promotion	2.05	2.22	2.46	2.82
Donations	.07	.08	.08	.05
Telephone and Telegraph	.40	.36	.34	.30
Bad Debts	.19	.12	.16	.21
Credit Card Expense (Bank Charges)	.15	.14	.13	.21
Delivery Expenses (Other than Wages)	.72	.49	.47	.30
Leasing Expenses (Non-Occupancy)	.08	.12	.12	.16
Insurance (Other than Real Estate and Group)	1.07	.69	.75	.56
Taxes (Other than Real Estate and Payroll)	.59	.46	.46	.39
Interest (Other than Real Estate)	1.34	1.48	1.39	1.12
Depreciation (Other than Real Estate)	1.10	.87	1.06	.84
Store and Shop Supplies	.45	.48	.48	.48
Legal and Accounting	.54	.54	.44	.39
Computer Services and Expenses (Other than Wages)	.14	.07	.14	.08
Dues and Subscriptions	.10	.11	.09	.07
Travel, Buying, Entertainment	.20	.20	.25	.30
Miscellaneous Services (Laundry, Disposal, Etc.)	.17	.12	.08	.18
Unclassified Expenses	.67	.57	.64	.46
Total Other Costs of Doing Business	10.53	9.62	10.04	9.29
Total Operating Expenses	33.83	33.96	34.39	32.85
Operating Profit or Loss	2.71	2.31	1.50	1.29
Other Income	1.16	1.58	1.45	1.62
Net Operating Profit or Loss (Before Income Taxes)	3.87	3.89	2.95	2.91

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$153,898	$208,118	$335,065	$705,982
		% of Total Assets		
Assets				
Cash On Hand and In Bank	7.84	8.78	6.19	4.67
Notes and Installment Contracts Receivable	2.00	3.21	2.98	4.85
Accounts Receivable	9.32	9.15	9.89	10.40
Merchandise Inventory (End of Year)	52.30	54.61	53.59	54.36
Other Current Assets	3.58	1.54	3.47	2.11
Total Current Assets	75.04	77.29	76.12	76.39
Stocks and Bonds	3.33	3.89	4.87	4.29
Real Estate (Not Used in Business)	1.04	.41	.14	.14
Other Investments	3.13	4.48	3.80	3.62
Total Investments	7.50	8.78	8.81	8.05
Land (Owned and Used in Business)	3.24	1.48	1.69	2.04
Buildings (Owned and Used in Bus. Less Depre.)	6.93	5.60	5.19	5.97
Leasehold Improvements (Less Amortization Depreciation)	.58	.80	1.16	.90
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	4.04	3.63	4.45	5.32
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.58	1.31	1.21	.90
Other Fixed Assets	1.09	1.11	1.37	.43
Total Fixed Assets	17.46	13.93	15.07	15.56
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	8.86	9.37	10.54	13.37
Current Portion of Notes Payable	2.79	2.73	3.70	4.05
Accrued Payroll Taxes	.60	.58	.55	.38
Accrued Other Taxes	1.06	1.15	1.21	1.73
Other Accrued Expenses	.67	1.01	1.43	2.09
Other Current Liabilities	7.17	3.18	4.43	3.81
Total Current Liabilities	21.15	18.02	21.86	25.43
Notes Due Partners/Officers	4.03	5.57	5.82	5.62
Mortgage Payable	6.67	3.96	3.54	4.54
Long Term Debt	12.11	15.37	14.64	12.01
Other Long Term Liabilities	.69	1.83	.83	1.01
Total Long Term Liabilities	23.50	26.73	24.83	23.18
Total Liabilities	44.65	44.75	46.69	48.61
Net Worth	55.35	55.25	53.31	51.39
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	13.10%	13.32%	11.11%	12.79%
Active Owner's Return	29.58%	32.12%	28.98%	30.43%
Current Asset Ratio	3.55x	4.29x	3.48x	3.00x
Quick Asset Ratio	1.08x	1.26x	1.03x	.87x
Total Debt to Tangible Net Worth	80.65%	80.98%	87.58%	94.60%
Stock Turn Times	2.33x	2.27x	2.47x	2.79x
Sales to Inventory Ratio	3.63x	3.51x	3.78x	4.18x
Average Inventory per Sq. Ft. Sales Area	$37.82	$31.31	$28.88	$28.85
Net Sales to Accounts Receivable	20.13x	20.67x	20.32x	21.71x
Net Sales to Total Assets	1.88x	1.89x	2.01x	2.26x
Net Sales to Net Worth	3.39x	3.42x	3.77x	4.39x
Net Sales to Net Working Capital	3.48x	3.19x	3.70x	4.43x
Other Operating Data				
Credit Sales — % of Total Gross Sales	31.61%	29.75%	27.73%	25.16%
Consumer Sales — % of Total Gross Sales	75.25%	78.46%	75.60%	80.17%
Selling Area — Square Feet	2,139	3,859	6,635	14,235
Sales Per Square Foot — Selling Area	$131.65	$100.98	$101.16	$113.02
Total Area — Square Feet	3,627	6,142	9,813	19,608
Sales Per Square Foot — Total Area	$76.46	$63.79	$69.37	$83.24
Sales Per Person Employed	$63,084	$62,747	$67,902	$76,579
Sales Per Customer	$7.99	$9.06	$9.03	$12.19

Type of Ownership

Income Statement Data	**Sole Proprietorship**	**Partnership**	**Corporation**
Number of Stores	150	38	641
Net Sales Volume	$278,571	$345,701	$754,057
Current Year's Sales vs. Previous Year (1985 vs 1984)*	+3.07%	+4.43%	+4.24%
Gross Sales	101.99%	102.80%	102.15%
Less: Total Deductions	1.99	2.80	2.15
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.90	67.85	65.52
Margin Before Purchase Rebate or Patronage Dividend	35.10	32.15	34.48
Purchase Rebate or Patronage Dividend	1.10	.52	1.05
Margin After Purchase Rebate or Patronage Dividend	36.20	32.67	35.53
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.21	4.47	4.65
Salaries/Wages — Other Employees	10.45	8.17	11.90
Federal and State Payroll Taxes	.95	.89	1.67
Group Insurance	.50	.44	.68
Benefit Plans	.09	.26	.43
Total Payroll and Other Employee Expense	15.20	14.23	19.33
Occupancy Expense			
Heat, Light, Power, Water	1.51	1.32	1.07
Building Repairs and Maintenance	.20	.19	.17
Rent or Ownership in Real Estate**	4.35	3.77	3.77
Total Occupancy Expense	6.06	5.28	5.01
Other Costs of Doing Business			
Advertising and Promotion	2.67	2.15	2.50
Insurance (Other than Real Estate or Group)	.85	.83	.71
Taxes (Other than Real Estate and Payroll)	.32	.27	.46
Interest (Other than Real Estate)	1.86	1.65	1.27
Depreciation (Other than Real Estate)	1.20	1.03	.94
All Other Expenses	3.86	3.90	3.85
Total Other Costs of Doing Business	10.76	9.83	9.73
Total Operating Expense	32.02	29.34	34.07
Operating Profit or Loss	4.18	3.33	1.46
Other Income	1.12	1.35	1.53
Net Operating Profit or Loss (Before Income Taxes)	5.30	4.68	2.99
Financial Performance			
Profit on Investment	17.69%	18.16%	11.81%
Active Owner's Return	28.38%	35.50%	30.17%
Current Asset Ratio	3.89x	3.70x	3.41x
Quick Asset Ratio	.79x	.93x	1.03x
Total Debt to Tangible Net Worth	103.34%	106.71%	87.25%
Stock Turn Times	2.12x	2.19x	2.56x
Sales to Inventory Ratio	3.26x	3.23x	3.91x
Average Inventory per Sq. Ft. Sales Area	$22.24	$25.23	$31.27
Net Sales to Accounts Receivable	28.61x	16.65x	20.46x
Net Sales to Total Assets	1.64x	1.88x	2.11x
Net Sales to Net Worth	3.34x	3.88x	3.94x
Net Sales to Net Working Capital	3.44x	3.32x	3.82x
Other Operating Data			
Credit Sales — % of Total Gross Sales	24.38%	24.15%	28.45%
Consumer Sales — % of Total Gross Sales	79.03%	80.71%	75.93%
Selling Area — Square Feet	3,942	4,261	6,845
Sales Per Square Foot — Selling Area	$71.32	$81.25	$113.70
Total Area — Square Feet	5,727	6,654	9,952
Sales Per Square Foot — Total Area	$48.89	$52.88	$78.16
Sales Per Person Employed	$56,381	$68,993	$70,262
Sales Per Customer	$7.19	$10.89	$10.08

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	111	51	222	500
Net Sales Volume	$821,421	$699,477	$813,435	$522,629
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+6.95%	+2.64%	+3.22%	+3.97%
Gross Sales	101.97%	102.25%	102.34%	102.03%
Less: Total Deductions	1.97	2.25	2.34	2.03
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	60.97	63.36	66.04	67.38
Margin Before Purchase Rebate or Patronage Dividend	39.03	36.64	33.96	32.62
Purchase Rebate or Patronage Dividend	.70	1.40	1.07	1.10
Margin After Purchase Rebate or Patronage Dividend	39.73	38.04	35.03	33.72
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.80	5.35	4.56	4.22
Salaries/Wages — Other Employees	13.70	14.23	11.70	10.54
Federal and State Payroll Taxes	1.59	1.62	1.99	1.28
Group Insurance	.69	.88	.68	.61
Benefit Plans	.56	.16	.47	.30
Total Payroll and Other Employee Expense	21.34	22.24	19.40	16.95
Occupancy Expense				
Heat, Light, Power, Water	1.02	1.07	1.05	1.20
Building Repairs and Maintenance	.21	.12	.15	.17
Rent or Ownership in Real Estate**	4.45	4.24	3.86	3.57
Total Occupancy Expense	5.68	5.43	5.06	4.94
Other Costs of Doing Business				
Advertising and Promotion	2.57	2.49	2.58	2.45
Insurance — Other than Real Estate or Group	.75	.71	.66	.76
Taxes — Other than Real Estate or Payroll	.47	.40	.43	.42
Interest — Other than Real Estate	1.13	.94	1.14	1.66
Depreciation — Other than Real Estate	1.05	.67	.87	1.06
All Other Expenses	4.27	3.37	3.61	3.97
Total Other Costs of Doing Business	10.24	8.58	9.29	10.32
Total Operating Expenses	37.26	36.25	33.75	32.21
Operating Profit or Loss	2.47	1.79	1.28	1.51
Other Income	1.43	1.17	1.57	1.63
Net Operating Profit or Loss (Before Income Taxes)	3.90	2.96	2.85	3.14
Financial Performance				
Profit on Investment	19.71%	10.54%	10.71%	11.79%
Active Owner's Return	43.94%	29.59%	27.89%	27.62%
Current Asset Ratio	2.73x	4.56x	3.12x	3.84x
Quick Asset Ratio	.79x	1.33x	.93x	1.10x
Total Debt to Tangible Net Worth	96.94%	55.14%	87.64%	97.88%
Stock Turn Times	3.02x	2.63x	2.50x	2.35x
Sales to Inventory Ratio	4.96x	4.15x	3.78x	3.49x
Average Inventory per Sq. Ft. Sales Area	$29.43	$36.96	$32.90	$27.40
Net Sales to Accounts Receivable	27.41x	24.12x	21.32x	18.49x
Net Sales to Total Assets	2.56x	2.29x	2.01x	1.90x
Net Sales to Net Worth	5.04x	3.56x	3.76x	3.75x
Net Sales to Net Working Capital	5.46x	3.76x	3.88x	3.33x
Other Operating Data				
Credit Sales — % of Total Gross Sales	15.42%	23.47%	29.58%	30.48%
Consumer Sales — % of Total Gross Sales	71.01%	79.47%	74.78%	78.86%
Selling Area — Square Feet	6,176	5,400	7,546	5,671
Sales Per Square Foot — Selling Area	$140.13	$129.44	$113.02	$92.55
Total Area — Square Feet	8,475	8,263	11,161	8,267
Sales Per Square Foot — Total Area	$101.85	$87.78	$76.01	$63.60
Sales Per Person Employed	$70,340	$70,146	$67,035	$70,174
Sales Per Customer	$9.74	$8.36	$10.32	$9.75

*As reported to us by The Management Report contributors.

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†Metropolitan Statistical Area.

Store Location: Part I

Income Statement Data	**Downtown**	**Suburban**	**Rural**
Number of Stores	385	300	89
Net Sales Volume	$556,165	$801,085	$605,091
Current Year's Sales vs. Previous Year(1985 vs. 1984)*	+2.46%	+6.31%	+ .88%
Gross Sales	102.67%	101.66%	101.78%
Less: Total Deductions	2.67	1.66	1.78
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.64	64.81	68.87
Margin Before Purchase Rebate or Patronage Dividend	34.36	35.19	31.13
Purchase Rebate or Patronage Dividend	.94	1.14	.82
Margin After Purchase Rebate or Patronage Dividend	35.30	36.33	31.95
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.50	4.86	3.53
Salaries/Wages — Other Employees	12.32	11.65	8.53
Federal and State Payroll Taxes	1.39	1.39	3.37
Group Insurance	.76	.58	.64
Benefit Plans	.40	.43	.39
Total Payroll and Other Employee Expense	19.37	18.91	16.46
Occupancy Expenses			
Heat, Light, Power, Water	1.15	1.10	.97
Building Repairs and Maintenance	.18	.17	.17
Rent or Ownership in Real Estate**	3.64	3.97	3.65
Total Occupancy Expense	4.97	5.24	4.79
Other Costs of Doing Business			
Advertising and Promotion	2.38	2.75	2.03
Insurance (Other than Real Estate and Group)	.79	.65	.70
Taxes (Other than Real Estate and Payroll)	.47	.46	.38
Interest (Other than Real Estate)	1.31	1.31	1.26
Depreciation (Other than Real Estate)	.90	1.01	1.06
All Other Expenses	3.98	3.83	3.56
Total Other Costs of Doing Business	9.83	10.01	8.99
Total Operating Expenses	34.17	34.16	30.24
Operating Profit or Loss	1.13	2.17	1.71
Other Income	1.78	1.38	1.21
Net Operating Profit or Loss (Before Income Taxes)	2.91	3.55	2.92
Financial Performance			
Profit on Investment	9.92%	15.55%	10.28%
Active Owner's Return	25.26%	36.79%	22.72%
Current Asset Ratio	3.69x	3.17x	3.56x
Quick Asset Ratio	1.12x	.86x	1.18x
Total Debt to Tangible Net Worth	80.67%	94.83%	83.31%
Stock Turn Times	2.35x	2.66x	2.58x
Sales to Inventory Ratio	3.57x	4.10x	3.75x
Average Inventory per Sq. Ft. Sales Area	$29.51	$29.81	$31.56
Net Sales to Accounts Receivable	17.55x	26.05x	17.11x
Net Sales to Total Assets	1.89x	2.24x	1.92x
Net Sales to Net Worth	3.41x	4.37x	3.52x
Net Sales to Net Working Capital	3.38x	4.32x	3.47x
Other Operating Data			
Credit Sales — % of Total Gross Sales	31.21%	23.96%	28.03%
Consumer Sales — % of Total Gross Sales	76.73%	76.79%	75.88%
Selling Area — Square Feet	5,696	7,046	5,989
Sales Per Square Foot — Selling Area	$99.92	$113.20	$104.80
Total Area — Square Feet	8,837	9,912	8,029
Sales Per Square Foot — Total Area	$63.71	$82.32	$75.84
Sales Per Person Employed	$64,987	$70,886	$77,130
Sales Per Customer	$9.11	$9.90	$12.16

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Store Location: Part II

	Shopping Center		Free-Standing	
Income Statement Data	Neighborhood	Community or Regional	No Stores Adjacent	Stores Nearby
Number of Stores	127	92	151	393
Net Sales Volume	$627,240	$587,415	$830,549	$615,034
Current Year's Sales vs. Previous Year(1985 vs. 1984)*	+5.82%	+5.41%	+5.80%	+3.26%
Gross Sales	101.40%	102.60%	101.87%	102.41%
Less: Total Deductions	1.40	2.60	1.87	2.41
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.54	64.09	66.88	65.76
Margin Before Purchase Rebate or Patronage Dividend	36.46	35.91	33.12	34.24
Purchase Rebate or Patronage Dividend	1.18	1.01	1.08	.96
Margin After Purchase Rebate or Patronage Dividend	37.64	36.92	34.20	35.20
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.94	5.65	4.30	4.50
Salaries/Wages — Other Employees	11.39	11.79	11.12	11.74
Federal and State Payroll Taxes	1.41	1.51	1.43	1.80
Group Insurance	.50	.73	.59	.76
Benefit Plans	.38	.51	.41	.39
Total Payroll and Other Employee Expense	18.62	20.19	17.85	19.19
Occupancy Expense				
Heat, Light, Power, Water	1.21	1.16	1.02	1.10
Building Repairs and Maintenance	.14	.21	.17	.18
Rent or Ownership in Real Estate**	4.32	4.46	3.44	3.80
Total Occupancy Expense	5.67	5.83	4.63	5.08
Other Costs of Doing Business				
Advertising and Promotion	2.87	2.26	2.60	2.44
Insurance (Other than Real Estate or Group)	.63	.72	.68	.74
Taxes (Other than Real Estate and Payroll)	.36	.18	.41	.49
Interest (Other than Real Estate)	1.57	1.41	1.32	1.19
Depreciation (Other than Real Estate)	1.10	1.09	.96	.93
All Other Expenses	3.87	3.91	3.69	3.91
Total Other Costs of Doing Business	10.40	9.57	9.66	9.70
Total Operating Expenses	34.69	35.59	32.14	33.97
Operating Profit or Loss	2.95	1.33	2.06	1.23
Other Income	.98	1.36	1.57	1.66
Net Operating Profit or Loss (Before Income Taxes)	3.93	2.69	3.63	2.89
Financial Performance				
Profit on Investment	19.08%	10.56%	12.64%	11.17%
Active Owner's Return	43.04%	32.80%	27.58%	28.52%
Current Asset Ratio	3.42x	3.52x	3.73x	3.21x
Quick Asset Ratio	.77x	.95x	1.20x	.93x
Total Debt to Tangible Net Worth	113.12%	87.10%	83.12%	86.50%
Stock Turn Times	2.45x	2.33x	2.52x	2.62x
Sales to Inventory Ratio	3.86x	3.63x	3.77x	3.98x
Average Inventory per Sq. Ft. Sales Area	$27.97	$29.07	$33.62	$28.96
Net Sales to Accounts Receivable	30.75x	23.09x	19.21x	20.09x
Net Sales to Total Assets	2.28x	2.10x	1.90x	2.07x
Net Sales to Net Worth	4.85x	3.94x	3.48x	3.86x
Net Sales to Net Working Capital	4.16x	3.68x	3.45x	4.01x
Other Operating Data				
Credit Sales — % of Total Gross Sales	19.20%	26.08%	29.63%	28.10%
Consumer Sales — % of Total Gross Sales	80.76%	77.30%	74.43%	76.39%
Selling Area — Square Feet	6,189	6,141	7,113	5,855
Sales Per Square Foot — Selling Area	$103.10	$95.24	$119.70	$106.04
Total Area — Square Feet	8,035	8,355	10,188	8,822
Sales Per Square Foot — Total Area	$81.93	$70.12	$82.68	$70.14
Sales Per Person Employed	$65,259	$64,351	$74,796	$68,619
Sales Per Customer	$8.20	$9.02	$11.12	$10.06

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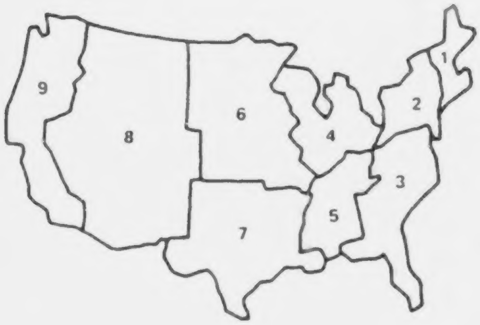
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

Income Statement Data	1 New England
Number of Stores	105
Net Sales Volume	$616,379
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+6.19%
Gross Sales	101.62%
Less: Total Deductions	1.62
Net Sales	100.00%
Cost of Goods Sold	65.31
Margin Before Purchase Rebate or Patronage Dividend	34.69
Purchase Rebate or Patronage Dividend	.88
Margin After Purchase Rebate or Patronage Dividend	35.57
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	4.63
Salaries/Wages — Other Employees	11.80
Federal and State Payroll Taxes	1.45
Group Insurance	.79
Benefit Plans	.15
Total Payroll and Other Employee Expense	18.82
Occupancy Expense	
Heat, Light, Power, Water	.97
Building Repairs and Maintenance	.09
Rent or Ownership in Real Estate**	4.11
Total Occupancy Expense	5.17
Total Costs of Doing Business	
Advertising and Promotion	1.96
Insurance (Other than Real Estate and Group)	.92
Taxes (Other than Real Estate and Payroll)	.33
Interest (Other than Real Estate)	1.18
Depreciation (Other than Real Estate)	.94
All Other Expenses	4.29
Total Other Costs of Doing Business	9.62
Total Operating Expense	33.61
Operating Profit or Loss	1.96
Other Income	1.48
Net Operating Profit or Loss (Before Income Taxes)	3.44
Financial Performance	
Profit on Investment	14.92%
Active Owner's Return	35.00%
Current Asset Ratio	3.55x
Quick Asset Ratio	1.16x
Total Debt to Tangible Net Worth	91.16%
Stock Turn Times	2.75x
Sales to Inventory Ratio	4.21x
Average Inventory Per Sq. Ft. Sales Area	$37.17
Net Sales to Accounts Receivable	17.81x
Net Sales to Total Assets	2.27x
Net Sales to Net Worth	4.34x
Net Sales to Net Working Capital	3.92x
Other Operating Data	
Credit Sales — % of Total Gross Sales	38.94%
Consumer Sales — % of Total Gross Sales	73.62%
Selling Area — Square Feet	4,356
Sales Per Square Foot — Selling Area	$151.66
Total Area — Square Feet	6,448
Sales Per Square Foot — Total Area	$100.14
Sales Per Person Employed	$79,968
Sales Per Customer	$10.52

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
73	76	364	29	112	42	38	61
$532,292	$800,117	$654,318	$537,290	$464,491	$715,374	$845,166	$798,333
+6.40%	+11.10%	+3.10%	+4.24%	+1.46%	+2.36%	-4.48%	+3.95%
101.56%	101.29%	103.19%	102.92%	101.33%	100.94%	101.76%	100.71%
1.56	1.29	3.19	2.92	1.33	.94	1.76	.71
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64.37	66.79	66.13	68.04	67.32	63.49	67.91	61.33
35.63	33.21	33.87	31.96	32.68	36.51	32.09	38.67
.83	.42	1.59	.92	.76	.59	.28	.70
36.46	33.63	35.46	32.88	33.44	37.10	32.37	39.37
4.37	5.10	4.27	3.78	5.03	4.54	2.72	4.62
11.45	11.24	11.79	11.70	10.41	12.93	10.32	13.45
1.53	1.12	1.44	1.10	1.36	1.36	4.62	1.58
.68	.50	.76	.50	.48	.46	.62	.54
.34	.51	.37	.27	.25	.36	.41	.84
18.37	18.47	18.63	17.35	17.53	19.65	18.69	21.03
1.19	.97	1.28	1.14	1.19	1.08	.81	.93
.22	.24	.18	.08	.12	.16	.12	.12
3.70	3.31	4.03	2.95	3.35	3.80	3.98	4.21
5.11	4.52	5.49	4.17	4.66	5.04	4.91	5.26
2.63	1.76	2.86	2.07	2.99	1.98	2.31	2.69
.92	.70	.65	.77	.69	.71	.58	.79
.44	.64	.40	.75	.16	.48	.50	.52
1.34	1.18	1.57	.90	1.73	.93	.97	1.58
.89	.97	1.04	.90	.99	1.02	.72	1.02
3.70	3.74	3.70	3.81	3.79	3.98	3.68	4.57
9.92	8.99	10.22	9.20	10.35	9.10	8.76	11.17
33.40	31.98	34.34	30.72	32.54	33.79	32.36	37.46
3.06	1.65	1.12	2.16	.90	3.31	.01	1.91
1.07	1.72	1.58	2.01	1.54	1.53	1.68	1.47
4.13	3.37	2.70	4.17	2.44	4.84	1.69	3.38
15.76%	13.59%	10.51%	13.45%	9.13%	14.94%	6.29%	17.12%
32.42%	34.14%	27.13%	25.64%	27.95%	28.93%	16.40%	40.55%
2.98x	3.14x	3.57x	3.53x	3.13x	4.51x	3.55x	3.15x
.77x	1.01x	1.04x	1.19x	.74x	1.44x	.96x	.85x
85.94%	86.62%	102.01%	73.04%	107.30%	48.76%	89.14%	99.06%
2.53x	2.93x	2.36x	2.42x	2.20x	2.79x	2.28x	2.79x
3.93x	4.39x	3.58x	3.55x	3.26x	4.39x	3.36x	4.56x
$31.79	$31.31	$28.37	$26.19	$27.21	$25.32	$35.89	$31.86
23.45x	14.11x	22.52x	15.17x	23.23x	20.20x	23.29x	26.13x
2.05x	2.16x	1.93x	1.86x	1.80x	2.07x	1.97x	2.55x
3.81x	4.03x	3.89x	3.22x	3.74x	3.09x	3.72x	5.07x
4.24x	4.34x	3.49x	3.25x	3.62x	3.77x	3.43x	4.82x
34.81%	29.04%	25.01%	43.34%	20.52%	30.34%	27.99%	24.99%
75.47%	67.07%	78.90%	77.86%	80.24%	71.34%	76.71%	79.63%
4,338	6,461	6,645	6,133	5,926	6,809	8,464	6,362
$121.47	$122.46	$98.96	$89.92	$80.91	$103.44	$100.60	$131.16
7,627	9,057	9,653	14,045	8,073	10,241	10,252	8,010
$72.74	$86.15	$68.35	$39.64	$61.75	$68.20	$81.86	$104.13
$63,021	$71,949	$66,329	$66,201	$63,824	$76,099	$73,288	$72,645
$9.84	$8.54	$9.96	$5.38	$13.11	$11.08	$9.50	$9.92

Number Of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	798	103
Net Sales Volume	$643,803	$662,491
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.58%	+7.79%
Gross Sales	102.29%	100.89%
Less: Total Deductions	2.29	.89
Net Sales	100.00%	100.00%
Cost of Goods Sold	65.67	65.79
Margin Before Purchase Rebate or Patronage Dividend	34.33	34.21
Purchase Rebate or Patronage Dividend	1.09	.74
Margin After Purchase Rebate or Patronage Dividend	35.42	34.95
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	4.49	4.03
Salaries/Wages — Other Employees	11.79	11.07
Federal and State Payroll Taxes	1.39	2.98
Group Insurance	.67	.60
Benefit Plans	.39	.38
Total Payroll and Other Employee Expense	18.73	19.06
Occupancy Expense		
Heat, Light, Power, Water	1.13	1.08
Building Repairs and Maintenance	.16	.20
Rent or Ownership in Real Estate**	3.78	4.28
Total Occupancy Expense	5.07	5.56
Other Costs of Doing Business		
Advertising and Promotion	2.56	2.25
Insurance (Other than Real Estate and Group)	.75	.51
Taxes (Other than Real Estate and Payroll)	.44	.33
Interest (Other than Real Estate)	1.43	1.18
Depreciation (Other than Real Estate)	1.01	.74
All Other Expenses	3.94	3.49
Total Other Costs of Doing Business	10.13	8.50
Total Operating Expenses	33.93	33.12
Operating Profit or Loss	1.49	1.83
Other Income	1.61	1.12
Net Operating Profit or Loss (Before Income Taxes)	3.10	2.95
Financial Performance		
Profit on Investment	12.18%	11.55%
Active Owner's Return	29.78%	27.35%
Current Asset Ratio	3.42x	3.64x
Quick Asset Ratio	1.01x	.93x
Total Debt to Tangible Net Worth	94.72%	81.72%
Stock Turn Times	2.48x	2.61x
Sales to Inventory Ratio	3.77x	3.96x
Average Inventory per Sq. Ft. Sales Area	$28.04	$57.30
Net Sales to Accounts Receivable	20.10x	25.99x
Net Sales to Total Assets	2.01x	2.15x
Net Sales to Net Worth	3.92x	3.92x
Net Sales to Net Working Capital	3.72x	4.07x
Other Operating Data		
Credit Sales — % of Total Gross Sales	28.32%	24.99%
Consumer Sales — % of Total Gross Sales	76.60%	77.69%
Selling Area — Square Feet	6,127	6,544
Sales Per Square Foot — Selling Area	$107.10	$101.58
Total Area — Square Feet	8,965	9,323
Sales Per Square Foot — Total Area	$73.77	$70.66
Sales Per Person Employed	$68,619	$72,724
Sales Per Customer	$9.71	$10.60

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Departmental Sales

The Departmental Sales section of The Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department.

To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Management Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Management Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand Tools, Paint & Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

Hardware $\frac{15.0}{50.0} = 30.0\%$

Hand Tools $\frac{10.0}{50.0} = 20.0\%$

Paint & Home Decorating $\frac{20.0}{50.0} = 40.0\%$

Automotive Supplies $\frac{5.0}{50.0} = 10.0\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint & Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page, examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost). Lawn and Garden's GMROI, for example, is 1.66 which means $1.66 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditionally low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

	Handling Firms Only					Average Store Profile		
Department	**% Handling**	**% of Net Sales**	**% of Sales Floor**	**% of Inventory**	**$ Sales Per Sq. Ft.**	**% of Net Sales**	**% of Sales Floor**	**% of Inventory**
Hardware	100.0	16.5	16.6	18.5	99.85	16.5	16.6	18.5
Hand Tools	100.0	7.0	7.5	8.2	100.26	7.0	7.5	8.2
Power Tools & Accessories	100.0	4.5	4.0	4.6	114.49	4.5	4.0	4.6
Plumbing, Heating & Cooling	100.0	13.5	13.1	12.1	111.53	13.5	13.1	12.1
Electrical Supplies	100.0	10.4	9.0	9.5	118.68	10.4	9.0	9.5
Paint & Home Decorating	96.9	12.1	11.8	12.0	114.19	11.0	10.8	10.6
Lumber	19.8	5.9	3.4	7.4	108.69	1.1	.5	1.4
Building Materials	35.0	6.1	5.2	6.7	106.39	1.9	1.8	2.4
Lawn & Garden	92.9	12.6	12.6	12.0	115.59	11.0	11.5	10.4
Housewares	87.0	8.9	11.4	10.4	71.47	7.3	9.6	8.6
Automotive Supplies	75.1	3.9	4.9	4.2	102.15	2.8	3.6	3.1
Major Appliances & Home Entertainment	30.8	11.9	10.0	9.9	123.34	3.2	2.3	2.4
Sporting Goods & Outdoor Living	64.1	5.4	6.2	5.2	89.07	3.2	3.8	3.0
Miscellaneous Goods	70.9	9.9	10.0	9.6	109.58	6.6	5.9	5.2
						100.0	100.0	100.0

Productivity

Department	**Gross Margin %**	**Sale To Inventory Ratio x**	**Gross Margin Return on Inventory (GMROI) $**
Hardware	44.1	3.2	1.41
Hand Tools	38.5	3.5	1.36
Power Tools & Accessories	29.5	3.8	1.14
Plumbing, Heating & Cooling	43.0	4.6	1.98
Electrical Supplies	41.4	4.5	1.86
Paint & Home Decorating	39.4	4.6	1.79
Lumber	28.6	3.5	.99
Building Materials	34.2	4.0	1.38
Lawn & Garden	36.3	4.6	1.66
Housewares	34.6	3.6	1.25
Automotive Supplies	35.8	3.9	1.39
Major Appliances & Home Entertainment	24.8	4.1	1.03
Sporting Goods & Outdoor Living	31.9	3.6	1.15
Miscellaneous Goods	35.0	4.0	1.41

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area, expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area, expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

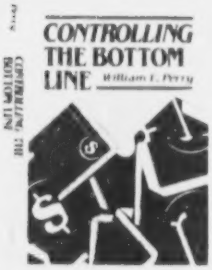
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.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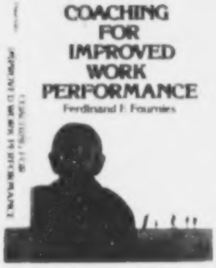
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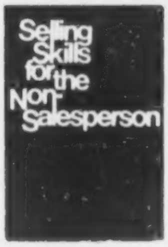
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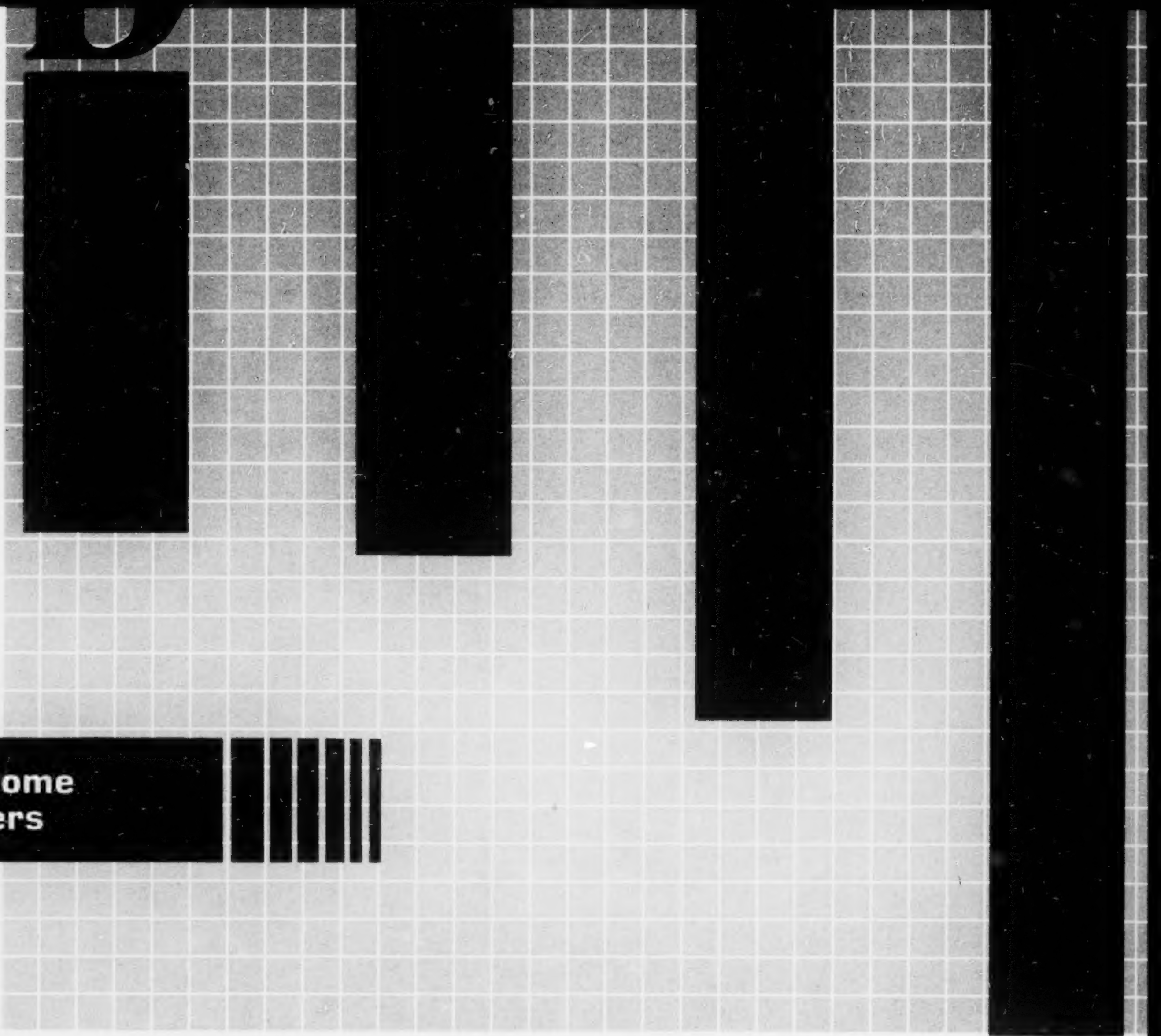
THE 1986 BOTTOM LINE



For Home Centers

HCI home center institute

August 31, 1986

AN OPEN LETTER TO HOME CENTER RETAILERS...

Never has the home center industry found itself in such a competitive environment.

Pressures on margins intensify...sales gains are not as easily achieved...advertising expenses increase...productivity must also increase or profits will erode.

That is why it is so important that one looks at industry averages and compares with one's own performance. This annual edition of THE BOTTOM LINE provides the industry's only "yardstick" by which you can compare yourself with other retailers.

THE BOTTOM LINE permits you to look at your business in numerous ways...by store size physically...by volume...by origin of your home center...by location...by type of ownership, etc.

If you submitted your financial data for this study (assured of complete confidentiality), you have received a comprehensive and confidential computer printout comparing your results to the average for all reporting stores in your category.

If you did not participate, make plans right now to do so next year. The personalized analysis becomes a valuable management tool for you, and your only cost to receive it is to send us the data needed for developing THE BOTTOM LINE.

We are indebted to all retailers who have made THE BOTTOM LINE such a useful membership service in the years since HCI was founded back in 1972.

Sincerely,

Bob Vereen

Bob C. Vereen
Executive Director

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Prepared by:
Marketing Research Deparment

Introduction

The Bottom Line

The 1986 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives:

- To assess the financial performance of the home center industry in 1985
- To provide comparative financial data so that retailers can measure their performance against industry averages
- To provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels.

Additionally, The Bottom Line provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the home center industry.

Four Major Sections

The Bottom Line is divided into four major sections: Historical Trends for 1981 through 1985; The Strategic Profit Model; Average Operating Results for 1985; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The Strategic Profit Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in home center outlets. The percent of net sales, sales floor and inventory are outlined for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area Size
—Store Location
—Store Orientation
—Number of Stores

Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provide us with detailed information on their operation. Questionnaires were sent to home center operators in February 1986. Two hundred fifty-six usable returns were received by June 15, 1986 in time for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was key punched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Bottom Line are the Management Report for retail hardware stores and The Profit Report for DIY lumber outlets.

For Assistance

Assistance and aid in interpreting the 1986 Bottom Line Report may be obtained from your regional hardware association or the National Retail Hardware Association/Home Center Institute.

Historical Trends

	ALL HOME CENTERS FISCAL YEAR				
Income Statement Data	1985	1984	1983	1982	1981
Net Sales Volume	$2,631,881	$2,875,479	$2,792,676	$2,394,983	$2,001,228
Gross Sales	102.62%	101.96%	102.08%	102.43%	102.53%
Less: Total Deductions	+2.62	+1.96	+2.08	+2.43	+2.53
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.70	72.70	68.80	69.46	71.24
Margin Before Purchase Rebate or Patronage Dividend	29.30	27.30	31.20	30.54	28.76
Purchase Rebate or Patronage Dividend	.41	.29	.33	.35	—
Margin After Purchase Rebate or Patronage Dividend	29.71	27.59	31.53	30.89	28.76
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.47	3.08	2.45	2.90	2.92
Salaries/Wages — Other Employees	10.23	9.98	12.28	12.35	10.74
Federal and State Payroll Taxes	1.17	1.11	1.21	1.23	1.11
Group Insurance	.50	.55	.65	.70	.51
Benefit Plans	.78	.44	.41	.56	.49
Total Payroll and Other Employee Expense	15.15	15.16	17.00	17.74	15.77
Occupancy Expense					
Heat, Light, Power, Water	.67	.60	.72	.80	.69
Building Repairs and Maintenance	.17	.38	.31	.31	.36
Rent or Ownership in Real Estate**	1.93	2.14	2.48	2.68	2.70
Total Occupancy Expense	2.77	3.12	3.51	3.79	3.75
Other Costs of Doing Business					
Advertising and Promotion	1.93	1.59	1.96	2.18	1.93
Insurance (Other than Real Estate or Group)	.37	.47	.41	.47	.52
Taxes (Other than Real Estate and Payroll)	.30	.47	.25	.34	.29
Interest (Other than Real Estate)	1.34	1.03	.61	1.00	1.04
Depreciation (Other than Real Estate)	.62	.70	.79	.76	.60
All Other Expenses	4.19	3.47	4.15	3.79	4.05
Total Other Costs of Doing Business	8.75	7.73	8.17	8.54	8.43
Total Operating Expenses	26.67	26.01	28.68	30.07	27.95
Operating Profit or Loss	3.04	1.58	2.85	.82	.81
Other Income	1.27	1.69	1.53	1.78	1.65
Net Operating Profit or Loss (Before Income Taxes)	4.31	3.27	4.38	2.60	2.46
Financial Performance					
Profit on Investment	20.89%	17.05%	17.49%	11.11%	12.32%
Active Owner's Return	32.86%	33.16%	27.26%	23.48%	20.50%
Current Asset Ratio	2.45x	2.32x	2.48x	2.18x	2.63x
Quick Asset Ratio	.95x	1.02x	.87x	.75x	.99x
Total Debt to Tangible Net Worth	90.86%	99.74%	66.60%	87.07%	83.71%
Stock Turn Times	4.10x	4.83x	3.89x	3.73x	4.32x
Sales to Inventory Ratio	5.80x	6.64x	5.65x	5.37x	6.07x
Average Inventory per Sq. Ft. Sales Area	$62.54	$49.00	$50.25	$50.67	$41.90
Net Sales to Accounts Receivable	12.47x	12.46x	15.70x	16.71x	16.15x
Net Sales to Total Assets	2.54x	2.62x	2.40x	2.28x	2.72x
Net Sales to Net Worth	4.85x	5.22x	3.99x	4.26x	5.00x
Net Sales to Net Working Capital	5.96x	6.37x	5.90x	6.36x	6.23x
Other Operating Data					
Credit Sales — % of Total Gross Sales	41.08%	53.82%	44.55%	42.79%	47.54%
Consumer Sales — % of Total Gross Sales	62.26%	59.21%	67.13%	71.41%	66.99%
Selling Area — Square Feet	13,738	17,163	19,428	16,540	13,494
Sales Per Square Foot — Selling Area	$190.18	$158.18	$143.74	$144.80	$148.31
Total Area — Square Feet	28,015	33,478	31,898	27,149	23,382
Sales Per Square Foot — Total Area	$85.06	$92.75	$87.55	$88.22	$85.59
Sales Per Person Employed	$107,839	$116,517	$87,988	$83,003	$89,718
Sales Per Customer	$29.63	$37.86	$18.18	$19.97	$26.17

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	9.1%	10.3%	11.1%	9.8%	7.3%	$130.67	$140.78	$144.79	$139.13	$131.02
Hand Tools*	3.0	3.4	4.8	4.1	3.5	114.88	125.75	131.40	129.03	102.86
Power Tools & Accessories*	2.4	3.3	4.6	2.4		145.08	136.48	154.59	112.05	
Plumbing, Heating & Cooling	6.6	7.6	10.2	9.0	4.8	130.72	143.50	132.94	121.78	136.39
Electrical Supplies	4.5	5.5	7.5	7.0	3.7	121.19	130.32	126.60	131.59	121.29
Paint & Home Decorating	7.3	8.7	9.2	9.2	6.5	143.42	129.37	131.07	137.37	133.11
Lumber	27.7	20.3	14.4	16.8	26.6	389.12	364.21	261.14	205.79	237.62
Building Materials	26.8	25.7	17.2	17.9	29.0	225.61	292.18	280.76	258.53	263.98
Lawn & Garden	5.0	5.4	9.4	9.1	4.6	125.27	117.01	89.53	79.91	93.64
Housewares	1.3	2.0	4.2	4.1	2.9	71.48	85.23	92.70	75.65	54.72
Automotive Supplies	.9	.5	1.2	1.6	1.5	110.64	160.40	137.64	121.31	124.31
Major Appliances & Home Entertainment	.5	1.6	1.4	1.1	1.2	130.01	113.07	121.20	78.50	87.47
Sporting Goods & Outdoor Living	.8	1.3	1.7	2.1	1.8	112.03	100.00	139.85	124.18	86.38
Miscellaneous Goods	4.1	4.4	3.1	5.8	6.6	102.85	118.77	187.40	155.22	110.25

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	4.7x	5.3x	4.2x	4.6x	4.6x	$1.88	$2.13	$1.62	$1.88	$1.76
Hand Tools*	5.8	4.9	4.0	4.2	4.1	2.06	1.74	1.38	1.50	1.34
Power Tools & Accessories*	4.2	5.3	3.9	3.4		1.28	1.65	1.36	1.08	
Plumbing, Heating & Cooling	5.1	5.1	4.8	4.8	5.1	1.88	1.92	1.81	1.73	1.75
Electrical Supplies	5.0	4.8	5.1	4.4	5.0	1.87	1.76	1.95	1.70	1.81
Paint & Home Decorating	6.1	6.6	5.9	5.2	5.2	2.06	2.48	2.14	1.95	2.03
Lumber	6.9	8.3	7.2	6.8	7.7	1.72	2.11	1.94	1.64	1.62
Building Materials	6.6	5.8	6.6	6.8	7.1	1.74	1.72	1.82	1.81	1.73
Lawn & Garden	5.0	5.3	5.2	4.8	6.6	1.57	1.76	1.55	1.60	1.71
Housewares	3.9	3.1	4.6	5.0	4.6	1.28	1.05	1.45	1.78	1.21
Automotive Supplies	4.5	3.6	5.5	4.3	4.5	1.44	1.04	1.73	1.33	1.44
Major Appliances & Home Entertainment	3.8	4.1	5.0	4.1	5.1	.67	.84	.91	.87	1.26
Sporting Goods & Outdoor Living	3.7	3.7	5.2	4.7	4.0	1.21	1.06	1.45	1.58	1.13
Miscellaneous Goods	4.8	5.0	4.9	4.3	4.0	.86	1.63	1.39	1.41	1.28

*Hand and power tools were not reported as separate categories in 1981

**Average Home Center

Monthly Sales

Month	1985	1984	1983	1982	1981
January	6.0	6.0	5.7	6.0	6.1
February	5.4	5.9	5.4	5.6	5.6
March	6.9	6.8	6.7	7.0	7.2
April	8.8	8.2	8.0	8.2	8.7
May	9.8	9.9	9.3	9.2	9.7
June	9.6	10.2	10.1	8.9	9.6
July	9.4	9.2	9.4	9.8	9.3
August	9.4	9.2	9.3	9.5	9.0
September	8.8	8.6	9.0	9.0	8.8
October	9.1	8.8	9.1	9.2	9.3
November	8.4	8.4	8.6	8.4	8.1
December	8.4	8.8	9.4	9.2	8.6

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

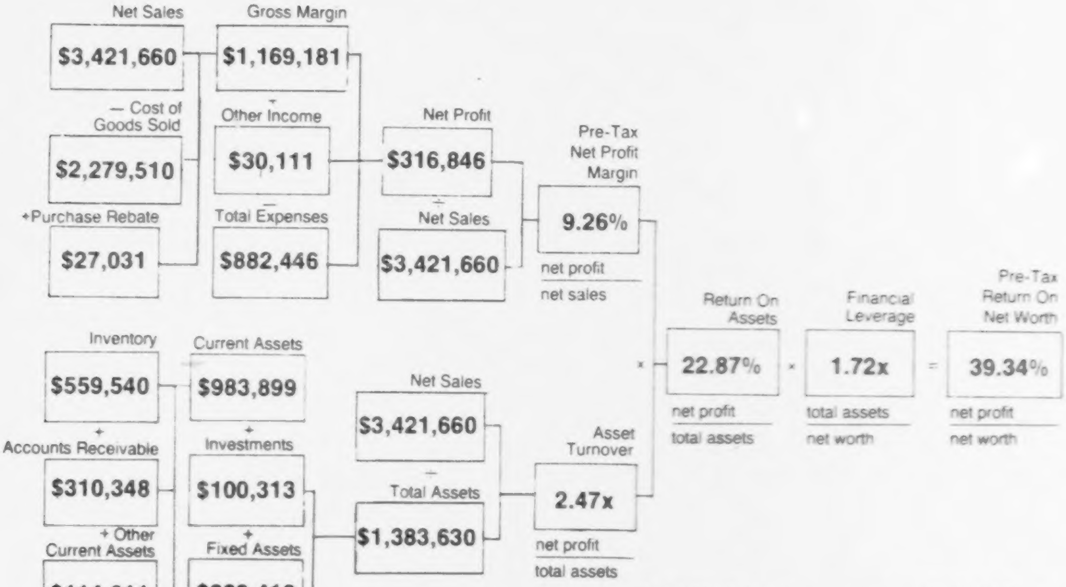
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Centers


Net Sales
$3,421,660
— Cost of Goods Sold
$2,279,510
+Purchase Rebate
$27,031
Gross Margin
$1,169,181
+
Other Income
$30,111
—
Total Expenses
$882,446
Net Profit
$316,846
÷
Net Sales
$3,421,660
Pre-Tax Net Profit Margin
9.26%
net profit
net sales
Inventory
$559,540
+
Accounts Receivable
$310,348
+ Other Current Assets
$114,011
Current Assets
$983,899
+
Investments
$100,313
+
Fixed Assets
$299,418
Net Sales
$3,421,660
÷
Total Assets
$1,383,630
Asset Turnover
2.47x
net profit
total assets
×
Return On Assets
22.87%
net profit
total assets
×
Financial Leverage
1.72x
total assets
net worth
=
Pre-Tax Return On Net Worth
39.34%
net profit
net worth

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of DIY Lumber Outlet	1985 Net Sales ($)	Sales Increase Over 1984* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Home Centers	2,631,881	+3.59	29.71	4.31	20.89	4.10
Low Profit	2,477,576	-3.27	27.80	– .07	– .42	4.10
High Profit	3,421,660	+8.07	34.17	9.26	39.35	4.14
Sales Volume Size						
Under $1,000,000	803,022	+13.05	36.04	3.66	15.15	2.42
$1,000,000 to $2,999,999	1,812,320	+1.86	28.56	2.45	10.40	3.53
$3,000,000 to $4,999,999	5,428,319	+4.74	30.33	5.93	33.17	4.98
Sales Floor Size						
Under 10,000 Sq. Ft.	2,021,837	+3.45	29.31	2.42	11.71	3.79
10,000 to 19,999 Sq. Ft.	2,335,460	+4.19	28.04	2.84	13.73	4.03
20,000 Sq. Ft. or more	6,009,958	– .08	34.53	9.62	46.93	4.53
Type of Origin						
Originally Hardware	1,859,794	+5.61	34.50	4.85	18.07	3.16
Originally Lumber/Building Materials	3,016,543	+2.88	28.77	4.38	22.31	4.32
Organized as Home Center	2,197,160	+6.14	31.72	3.50	18.66	4.51
Trade Area Size						
Metropolitan Statistical Area	2,256,246	+ .73	29.58	2.52	11.11	3.61
Cities 10,000 to 50,000	3,425,951	+2.72	32.08	6.45	33.67	4.58
Towns Under 10,000	2,333,401	+7.99	26.47	3.43	16.99	4.16
Outlet Location: Part I						
Downtown	1,943,528	+5.51	28.03	3.20	15.42	4.02
Suburban	3,226,023	+3.78	31.27	5.21	26.11	4.30
Rural	1,722,174	+ .82	25.40	1.73	7.24	3.43
Outlet Location: Part II						
Shopping Centers	1,444,420	+8.87	35.56	3.81	17.85	3.23
Free-Standing — No Stores Adjacent	3,664,105	+6.53	31.55	7.00	36.50	4.26
Free-Standing — Stores Nearby	2,729,068	+2.39	28.66	2.96	14.70	4.43
Number of Stores:						
Single Store Business	2,611,517	+4.41	29.94	3.59	16.63	4.22
2 to 4 Stores	4,144,350	+2.15	31.69	7.57	38.78	4.33
5 to 10 Stores	1,906,278	– .30	31.53	1.71	8.24	3.06
11 Stores or More	1,965,677	+4.65	25.71	2.21	10.90	4.13

*As reported by The Bottom Line contributors

Monthly Sales

	%		%		%
January	6.0	May	9.8	September	8.8
February	5.4	June	9.6	October	9.1
March	6.9	July	9.4	November	8.4
April	8.8	August	9.4	December	8.4

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	256	43	67
Net Sales Volume	$2,631,881	$2,477,576	$3,421,660
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.59%	-3.27%	+8.07%
Gross Sales	102.62%	101.40%	103.73%
Less: Total Deductions	2.62	1.40	3.73
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.70	72.51	66.62
Margin Before Purchase Rebate or Patronage Dividend	29.30	27.49	33.38
Purchase Rebate or Patronage Dividend	.41	.31	.79
Margin After Purchase Rebate or Patronage Dividend	29.71	27.80	34.17
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.47	2.41	2.71
Salaries/Wages — Other Employees	10.23	11.13	10.38
Federal and State Payroll Taxes	1.17	1.35	1.03
Group Insurance	.50	.40	.63
Benefit Plans	.78	.80	1.26
Total Payroll and Other Employee Expense	15.15	16.09	16.01
Occupancy Expense			
Heat, Light, Power, Water	.67	.68	.68
Building Repairs and Maintenance	.17	.18	.14
Rent or Ownership in Real Estate**	1.93	2.50	1.68
Total Occupancy Expense	2.77	3.36	2.50
Other Costs of Doing Business			
Office Supplies and Postage	.44	.50	.46
Advertising and Promotion	1.93	1.78	1.69
Donations	.05	.05	.05
Telephone and Telegraph	.26	.33	.25
Bad Debts	.37	.52	.20
Credit Card Expense (Bank Charges)	.15	.06	.31
Delivery (Other than Wages)	.55	.76	.44
Leasing Expenses (Non-Occupancy)	.28	.35	.35
Insurance (Other than Real Estate and Group)	.37	.57	.36
Taxes (Other than Real Estate and Payroll)	.30	.44	.20
Interest (Other than Real Estate)	1.34	1.14	.55
Depreciation (Other than Real Estate)	.62	.62	.67
Store and Shop Supplies	.23	.27	.24
Legal and Accounting	.24	.36	.20
Computer Services and Expenses (Other than Wages)	.12	.10	.15
Dues and Subscriptions	.05	.06	.03
Travel, Buying, Entertainment	.22	.17	.26
Miscellaneous Services (Laundry, Disposal, Etc.)	.14	.12	.28
Unclassified Expenses	1.09	1.29	.59
Total Other Costs of Doing Business	8.75	9.49	7.28
Total Operating Expenses	26.67	28.94	25.79
Operating Profit or Loss	3.04	-1.14	8.38
Other Income	1.27	1.07	.88
Net Operating Profit or Loss (Before Income Taxes)	4.31	-.07	9.26

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,035,952	$939,174	$1,383,630
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.44	2.75	4.45
Notes and Installment Contracts Receivable	1.48	1.33	2.39
Accounts Receivable	20.37	17.87	22.43
Merchandise Inventory (End of Year)	44.02	45.99	40.44
Other Current Assets	2.75	3.49	1.40
Total Current Assets	72.06	71.43	71.11
Stocks and Bonds	1.67	1.84	1.66
Real Estate (Not Used In Bus.)	.68	.44	.97
Other Investments	5.98	6.19	4.62
Total Investments	8.33	8.47	7.25
Land (Owned and Used In Bus.)	3.19	1.80	5.07
Buildings (Owned and Used In Bus. Less Depre.)	7.46	6.36	8.19
Leasehold Improvements (Less Amortization Allowance)	1.81	1.23	2.73
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.01	4.40	3.60
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.40	1.64	1.30
Other Fixed Assets	1.74	4.67	.75
Total Fixed Assets	19.61	20.10	21.64
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.36	14.93	14.13
Current Portion of Notes Payable	6.10	12.63	3.31
Accrued Payroll Taxes	.45	.20	.48
Accrued Other Taxes	3.29	.91	7.39
Other Accrued Expenses	3.07	1.29	5.05
Other Current Liabilities	3.12	2.71	1.82
Total Current Liabilities	29.39	32.67	32.18
Notes Due Partners/Officers	2.14	1.80	1.59
Mortgage Payable	2.28	5.20	1.84
Long Term Debt	13.51	14.95	5.99
Other Long Term Liabilities	.29	.11	.23
Total Long Term Liabilities	18.22	22.06	9.65
Total Liabilities	47.61	54.73	41.83
Net Worth	52.39	45.27	58.17
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	20.89%	-.42%	39.35%
Active Owner's Return	32.86%	13.65%	50.87%
Current Asset Ratio	2.45x	2.19x	2.21x
Quick Asset Ratio	.95x	.78x	.95x
Total Debt to Tangible Net Worth	90.86%	120.92%	71.91%
Stock Turn Times	4.10x	4.10x	4.14x
Sales to Inventory Ratio	5.80x	5.65x	6.21x
Average Inventory per Sq. Ft. Sales Area	$62.54	$50.47	$44.73
Net Sales to Accounts Receivable	12.47x	14.77x	11.02x
Net Sales to Total Assets	2.54x	2.64x	2.47x
Net Sales to Net Worth	4.85x	5.83x	4.25x
Net Sales to Net Working Capital	5.96x	6.81x	6.35x

Other Operating Data

Credit Sales — % of Total Gross Sales	41.08%	55.43%	27.08%
Consumer Sales — % of Total Gross Sales	62.26%	61.51%	63.98%
Selling Area — Square Feet	13,738	13,234	16,658
Sales Per Square Foot — Selling Area	$190.18	$197.45	$173.00
Total Area — Square Feet	28,015	26,605	36,358
Sales Per Square Foot — Total Area	$85.06	$95.53	$78.83
Sales Per Person Employed	$107,839	$98,317	$105,967
Sales Per Customer	$29.63	$26.55	$27.38

†Defined as the bottom twenty-five percent of all contributors based on Net Profit

††Defined as the top twenty-five percent of all contributors based on Net Profit

Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $2,999,999	Sales $3,000,000 Or More
Number of Outlets	25	166	65
Net Sales Volume	$803,022	$1,812,320	$5,428,319
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+13.05%	+1.86%	+4.74%
Gross Sales	101.26%	102.19%	103.07%
Less: Total Deductions	1.26	2.19	3.07
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.21	71.77	70.10
Margin Before Purchase Rebate or Patronage Dividend	34.79	28.23	29.90
Purchase Rebate or Patronage Dividend	1.25	.33	.43
Margin After Purchase Rebate or Patronage Dividend	36.04	28.56	30.33
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.27	1.74	3.04
Salaries/Wages — Other Employees	12.51	10.67	9.68
Federal and State Payroll Taxes	1.24	1.30	1.05
Group Insurance	.24	.47	.54
Benefit Plans	.75	.48	1.04
Total Payroll and Other Employee Expense	18.01	14.66	15.35
Occupancy Expense			
Heat, Light, Power, Water	1.33	.81	.52
Building Repairs and Maintenance	.09	.17	.18
Rent or Ownership in Real Estate**	4.03	2.18	1.65
Total Occupancy Expense	5.45	3.16	2.35
Other Costs of Doing Business			
Office Supplies and Postage	.31	.37	.50
Advertising and Promotion	2.42	1.89	1.95
Donations	.04	.06	.04
Telephone and Telegraph	.37	.22	.29
Bad Debts	.19	.39	.36
Credit Card Expense (Bank Charges)	.15	.09	.21
Delivery (Other Than Wages)	.66	.61	.50
Leasing Expenses (Non-Occupancy)	.15	.10	.44
Insurance (Other Than Real Estate and Group)	.80	.35	.37
Taxes (Other Than Real Estate and Payroll)	.53	.35	.24
Interest (Other Than Mortgages)	1.38	2.13	.66
Depreciation (Other than Real Estate)	.74	.74	.50
Store and Shop Supplies	.33	.28	.18
Legal and Accounting	.37	.25	.21
Computer Services and Expenses (Other Than Wages)	.13	.11	.13
Dues and Subscriptions	.06	.04	.05
Travel, Buying, Entertainment	.14	.21	.23
Miscellaneous Services (Laundry, Disposal, etc.)	.08	.05	.22
Unclassified Expenses	1.02	1.57	.69
Total Other Costs of Doing Business	9.87	9.81	7.77
Total Operating Expenses	33.33	27.63	25.47
Operating Profit or Loss	2.71	.93	4.86
Other Income	.95	1.52	1.07
Net Operating Profit or Loss (Before Income Taxes)	3.66	2.45	5.93

*As reported to us by The Bottom Line contributors

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

Sales Volume Size

Balance Sheet Data	**Sales Under $1,000,000**	**$1,000,000 To $2,999,999**	**Sales $3,000,000 Or More**
Total Dollar Assets	$375,270	$781,109	$1,940,891
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.81	3.59	3.10
Notes and Installment Contracts Receivable	1.30	.94	2.05
Accounts Receivable	10.37	15.78	25.83
Merchandise Inventory (End of Year)	58.43	47.43	39.44
Other Current Assets	2.03	1.66	3.93
Total Current Assets	77.94	69.40	74.35
Stocks and Bonds	2.41	1.69	1.59
Real Estate (Not Used in Bus.)	——	.65	.75
Other Investments	7.51	9.25	2.51
Total Investments	9.92	11.59	4.85
Land (Owned and Used in Bus.)	1.19	2.28	4.28
Buildings (Owned and Used in Bus. Less Depre.)	2.79	7.84	7.42
Leasehold Improvements (Less Amortization Allowance)	.82	1.10	2.61
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.01	3.75	4.44
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.19	1.53	1.29
Other Fixed Assets	4.14	2.51	.76
Total Fixed Assets	12.14	19.01	20.80
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.15	10.75	16.28
Current Portion of Notes Payable	4.29	6.06	6.27
Accrued Payroll Taxes	.41	.28	.62
Accrued Other Taxes	1.91	1.19	5.57
Other Accrued Expenses	1.47	2.00	4.29
Other Current Liabilities	4.07	2.40	3.79
Total Current Liabilities	22.30	22.68	36.82
Notes Due Partners/Officers	5.90	1.83	2.18
Mortgage Payable	——	2.56	2.15
Long Term Debt	20.08	17.86	8.54
Other Long Term Liabilities	.03	.26	.33
Total Long Term Liabilities	26.01	22.51	13.20
Total Liabilities	48.31	45.19	50.02
Net Worth	51.69	54.81	49.98
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	15.15%	10.40%	33.17%
Active Owner's Return	28.67%	17.77%	50.20%
Current Asset Ratio	3.50x	3.06x	2.02x
Quick Asset Ratio	.87x	.97x	.95x
Total Debt to Tangible Net Worth	93.48%	82.46%	100.12%
Stock Turn Times	2.42x	3.53x	4.98x
Sales to Inventory Ratio	3.71x	4.92x	7.11x
Average Inventory per Sq. Ft. Sales Area	$26.77	$60.93	$76.20
Net Sales to Accounts Receivable	20.63x	14.70x	10.83x
Net Sales to Total Assets	2.14x	2.32x	2.80x
Net Sales to Net Worth	4.14x	4.23x	5.60x
Net Sales to Net Working Capital	3.85x	4.97x	7.45x
Other Operating Data			
Credit Sales — % of Total Gross Sales	37.39%	57.28%	35.12%
Consumer Sales — % of Total Gross Sales	74.79%	63.97%	53.34%
Selling Area — Square Feet	12,634	12,377	17,635
Sales Per Square Foot — Selling Area	$66.38	$134.11	$315.03
Total Area — Square Feet	19,095	24,019	42,551
Sales Per Square Foot — Total Area	$40.00	$63.66	$123.82
Sales Per Person Employed	$66,944	$100,009	$119,966
Sales Per Customer	$8.71	$25.87	$41.02

Sales Floor Size

Income Statement Data	Sales Area Under 10,000 Sq. Ft.	10,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	63	164	26
Net Sales Volume	$2,021,837	$2,335,460	$6,009,958
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.45%	+4.19%	-.08%
Gross Sales	101.75%	102.08%	104.74%
Less: Total Deductions	1.75	2.08	4.74
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.09	72.16	66.41
Margin Before Purchase Rebate or Patronage Dividend	28.91	27.84	33.59
Purchase Rebate or Patronage Dividend	.40	.20	.94
Margin After Purchase Rebate Or Patronage Dividend	29.31	28.04	34.53
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.51	2.58	2.17
Salaries — Other Employees	11.20	9.74	10.75
Federal and State Payroll Taxes	1.11	1.25	1.03
Group Insurance	.54	.40	.74
Benefit Plans	.71	.52	1.47
Total Payroll and Other Employee Expense	16.07	14.49	16.16
Occupancy Expense			
Heat, Light, Power, Water	.60	.71	.66
Building Repairs and Maintenance	.21	.19	.09
Rent or Ownership in Real Estate**	2.21	2.07	1.40
Total Occupancy Expense	3.02	2.97	2.15
Other Costs of Doing Business			
Office Supplies and Postage	.56	.37	.50
Advertising and Promotion	1.49	2.16	1.81
Donations	.06	.06	.03
Telephone and Telegraph	.35	.24	.23
Bad Debts	.35	.47	.15
Credit Card Expense (Bank Charges)	.08	.10	.36
Delivery (Other Than Wages)	.65	.51	.56
Leasing Expenses (Non-Occupancy)	.17	.23	.48
Insurance (Other Than Real Estate and Group)	.54	.35	.27
Taxes (Other Than Real Estate and Payroll)	.30	.36	.10
Interest (Other Than Real Estate)	1.27	1.69	.57
Depreciation (Other Than Real Estate)	.80	.59	.56
Store and Shop Supplies	.38	.20	.18
Legal and Accounting	.25	.28	.13
Computer Services and Expenses (Other Than Wages)	.15	.09	.15
Dues and Subscriptions	.06	.05	.03
Travel, Buying, Entertainment	.21	.21	.25
Miscellaneous Services (Laundry, Disposal, etc.)	.04	.08	.34
Unclassified Expenses	1.19	1.23	.65
Total Other Costs of Doing Business	8.90	9.27	7.35
Total Operating Expenses	27.99	26.73	25.66
Operating Profit or Loss	1.32	1.31	8.87
Other Income	1.10	1.53	.75
Net Operating Profit or Loss (Before Income Taxes)	2.42	2.84	9.62

*As reported to us by The Bottom Line contributors

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

Sales Floor Size

Balance Sheet Data	**Sales Area Under 10,000 Sq. Ft.**	**10,000 Sq. Ft. To 19,999 Sq. Ft.**	**Sales Area 20,000 Sq. Ft. Or More**
Total Dollar Assets	$831,188	$920,489	$2,283,236
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.35	3.46	3.44
Notes and Installment Contracts Receivable	1.85	1.01	2.43
Accounts Receivable	17.75	20.92	21.49
Merchandise Inventory (End of Year)	45.73	45.50	38.93
Other Current Assets	3.45	2.96	1.64
Total Current Assets	72.13	73.85	67.93
Stocks and Bonds	1.68	1.84	1.21
Real Estate (Not Used in Bus.)	.41	.70	.88
Other Investments	5.75	7.15	3.06
Total Investments	7.84	9.69	5.15
Land (Owned and Used in Bus.)	1.57	2.54	6.14
Buildings (Owned and Used in Bus. Less Depre.)	8.26	6.71	8.58
Leasehold Improvements (Less Depre.)	1.78	1.18	3.43
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.72	3.33	5.28
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.82	1.31	1.31
Other Fixed Assets	1.88	1.39	2.18
Total Fixed Assets	20.03	16.46	26.92
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	11.77	13.89	13.27
Current Portion of Notes Payable	11.13	5.43	3.04
Accrued Payroll Taxes	.38	.61	.12
Accrued Other Taxes	.81	1.45	10.28
Other Accrued Expenses	2.47	1.66	7.29
Other Current Liabilities	5.23	3.01	1.64
Total Current Liabilities	31.79	26.05	35.64
Notes Due Partners/Officers	1.13	2.95	.79
Mortgage Payable	3.30	1.84	2.57
Long Term Debt	12.28	16.60	7.04
Other Long Term Liabilities	1.13	.11	.02
Total Long Term Liabilities	17.84	21.50	10.42
Total Liabilities	49.63	47.55	46.06
Net Worth	50.37	52.45	53.94
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.71%	13.73%	46.93%
Active Owner's Return	23.83%	26.23%	57.54%
Current Asset Ratio	2.27x	2.84x	1.91x
Quick Asset Ratio	.83x	1.09x	.81x
Total Debt to Tangible Net Worth	98.54%	90.67%	85.36%
Stock Turn Times	3.79x	4.03x	4.53x
Sales to Inventory Ratio	5.33x	5.59x	6.83x
Average Inventory per Sq. Ft. Sales Area	$76.18	$77.01	$35.79
Net Sales to Accounts Receivable	13.71x	12.13x	12.25x
Net Sales to Total Assets	2.43x	2.54x	2.63x
Net Sales to Net Worth	4.83x	4.84x	4.88x
Net Sales to Net Working Capital	6.03x	5.31x	8.15x
Other Operating Data			
Credit Sales — % of Total Gross Sales	64.02%	45.18%	22.03%
Consumer Sales — % of Total Gross Sales	61.46%	61.99%	65.40%
Selling Area — Square Feet	8,661	12,490	33,867
Sales Per Square Foot — Selling Area	$246.06	$220.24	$121.10
Total Area — Square Feet	28,560	22,702	60,232
Sales Per Square Foot — Total Area	$84.72	$87.70	$79.23
Sales Per Person Employed	$94,958	$115,619	$101,467
Sales Per Customer	$32.71	$25.96	$39.87

Type of Origin

Income Statement Data	**Originally Hardware Store**	**Originally Lumber/ Building Materials Outlet**	**Organized As A Home Center**
Number of Stores	60	169	9
Net Sales Volume	$1,859,794	$3,016,543	$2,197,160
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+5.61%	+2.88%	+6.14%
Gross Sales	101.28%	102.87%	101.82%
Less: Total Deductions	1.28	2.87	1.82
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.14	71.60	68.92
Margin Before Purchase Rebate or Patronage Dividend	33.86	28.40	31.08
Purchase Rebate or Patronage Dividend	.64	.37	.64
Margin After Purchase Rebate or Patronage Dividend	34.50	28.77	31.72
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.91	2.35	3.40
Salaries/Wages — Other Employees	12.22	9.92	8.30
Federal and State Payroll Taxes	1.06	1.14	2.74
Group Insurance	.49	.52	.47
Benefit Plans	.58	.84	1.37
Total Payroll and Other Employee Expense	17.26	14.77	16.28
Occupancy Expense			
Heat, Light, Power, Water	.97	.59	.82
Building Repairs and Maintenance	.11	.19	.17
Rent or Ownership in Real Estate**	3.42	1.58	2.28
Total Occupancy Expense	4.50	2.36	3.27
Other Costs of Doing Business			
Advertising and Promotion	2.46	1.84	1.74
Insurance (Other Than Real Estate or Group)	.47	.34	.53
Taxes (Other Than Real Estate or Payroll)	.38	.29	.40
Interest (Other Than Real Estate)	.68	1.51	1.51
Depreciation (Other Than Real Estate)	.70	.58	1.17
All Other Expenses	4.03	4.14	3.68
Total Other Costs of Doing Business	8.72	8.70	9.03
Total Operating Expenses	30.48	25.83	28.58
Operating Profit or Loss	4.02	2.94	3.14
Other Income	.83	1.44	.36
Net Operating Profit or Loss (Before Income Taxes)	4.85	4.38	3.50
Financial Performance			
Profit on Investment	18.07%	22.31%	18.66%
Active Owner's Return	28.93%	34.32%	36.73%
Current Asset Ratio	3.07x	2.33x	2.18x
Quick Asset Ratio	.80x	.98x	.84x
Total Debt to Tangible Net Worth	56.74%	99.93%	116.95%
Stock Turn Times	3.16x	4.32x	4.51x
Sales to Inventory Ratio	4.77x	6.04x	6.55x
Average Inventory per Sq. Ft. Sales Area	$44.10	$78.48	$25.35
Net Sales to Accounts Receivable	24.43x	10.92x	17.33x
Net Sales to Total Assets	2.38x	2.55x	2.45x
Net Sales to Net Worth	3.73x	5.10x	5.32x
Net Sales to Net Working Capital	5.17x	6.09x	7.35x
Other Operating Data			
Credit Sales — % of Total Gross Sales	29.34%	43.01%	29.66%
Consumer Sales — % of Total Gross Sales	71.98%	57.65%	69.89%
Selling Area — Square Feet	14,324	13,691	13,688
Sales Per Square Foot — Selling Area	$130.75	$227.26	$166.86
Total Area — Square Feet	22,745	30,776	21,750
Sales Per Square Foot — Total Area	$79.58	$85.82	$101.02
Sales Per Person Employed	$81,342	$119,709	$79,308
Sales Per Customer	$11.48	$45.44	$17.89

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Trade Area Size

Income Statement Data	**Metropolitan Statistical Areas**	**Cities 10,000 To 50,000 Pop.**	**Towns Under 10,000 Pop.**
Number of Stores	100	77	79
Net Sales Volume	$2,256,246	$3,425,951	$2,333,401
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+ .73%	+2.72%	+7.99%
Gross Sales	101.54%	103.49%	102.71%
Less: Total Deductions	1.54	3.49	2.71
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.69	68.59	73.72
Margin Before Purchase Rebate or Patronage Dividend	29.31	31.41	26.28
Purchase Rebate or Patronage Dividend	.27	.67	.19
Margin After Purchase Rebate or Patronage Dividend	29.58	32.08	26.47
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.05	2.70	2.65
Salaries/Wages — Other Employees	11.16	10.37	8.83
Federal and State Payroll Taxes	1.12	1.24	1.12
Group Insurance	.30	.73	.43
Benefit Plans	.66	1.00	.62
Total Payroll and Other Employee Expense	15.29	16.04	13.65
Occupancy Expense			
Heat, Light, Power, Water	.78	.62	.62
Building Repairs and Maintenance	.14	.18	.20
Rent or Ownership in Real Estate**	2.00	1.85	2.01
Total Occupancy Expense	2.92	2.65	2.83
Other Costs of Doing Business			
Advertising and Promotion	2.16	1.76	1.90
Insurance (Other Than Real Estate or Group)	.40	.29	.46
Taxes (Other Than Real Estate or Payroll)	.44	.15	.35
Interest (Other Than Real Estate)	2.14	.94	.92
Depreciation (Other Than Real Estate)	.52	.66	.67
All Other Expenses	4.54	4.14	3.81
Total Other Costs of Doing Business	10.20	7.94	8.11
Total Operating Expenses	28.41	26.63	24.59
Operating Profit or Loss	1.17	5.45	1.88
Other Income	1.35	1.00	1.55
Net Operating Profit or Loss (Before Income Taxes)	2.52	6.45	3.43
Financial Performance			
Profit on Investment	11.11%	33.67%	16.99%
Active Owner's Return	20.15%	47.75%	30.12%
Current Asset Ratio	2.85x	2.09x	2.56x
Quick Asset Ratio	1.00x	.89x	1.00x
Total Debt to Tangible Net Worth	83.59%	93.08%	97.81%
Stock Turn Times	3.61x	4.58x	4.16x
Sales to Inventory Ratio	5.11x	6.68x	5.65x
Average Inventory per Sq. Ft. Sales Area	$98.79	$58.85	$43.62
Net Sales to Accounts Receivable	12.85x	11.31x	14.03x
Net Sales to Total Assets	2.40x	2.70x	2.50x
Net Sales to Net Worth	4.41x	5.22x	4.95x
Net Sales to Net Working Capital	5.08x	7.27x	5.68x
Other Operating Data			
Credit Sales — % of Total Gross Sales	55.16%	40.23%	35.50%
Consumer Sales — % of Total Gross Sales	63.91%	57.75%	64.51%
Selling Area — Square Feet	12,492	14,201	14,915
Sales Per Square Foot — Selling Area	$230.30	$220.24	$137.97
Total Area — Square Feet	20,118	41,125	25,952
Sales Per Square Foot — Total Area	$109.50	$80.12	$74.19
Sales Per Person Employed	$105,567	$105,411	$114,726
Sales Per Customer	$25.34	$32.28	$31.86

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Store Location: Part I

Income Statement Data	**Downtown**	**Suburban**	**Rural**
Number of Stores	38	144	69
Net Sales Volume	$1,943,528	$3,226,023	$1,722,174
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+5.51%	+3.78%	+ .82%
Gross Sales	101.76%	102.76%	102.73%
Less: Total Deductions	1.76	2.76	2.73
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.37	69.24	74.65
Margin Before Purchase Rebate or Patronage Dividend	27.63	30.76	25.35
Purchase Rebate or Patronage Dividend	.40	.51	.05
Margin After Purchase Rebate or Patronage Dividend	28.03	31.27	25.40
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.21	2.66	1.16
Salaries/Wages — Other Employees	9.52	10.57	9.47
Federal and State Payroll Taxes	.92	1.20	1.23
Group Insurance	.71	.56	.20
Benefit Plans	.40	.95	.40
Total Payroll and Other Employee Expense	14.76	15.94	12.46
Occupancy Expense			
Heat, Light, Power, Water	.55	.66	.82
Building Repairs and Maintenance	.17	.18	.16
Rent or Ownership in Real Estate**	2.22	2.10	1.25
Total Occupancy Expense	2.94	2.94	2.23
Other Costs of Doing Business			
Advertising and Promotion	1.08	2.13	1.73
Insurance (Other Than Real Estate or Group)	.46	.39	.18
Taxes (Other Than Real Estate or Payroll)	.49	.22	.46
Interest (Other Than Real Estate)	1.46	.73	3.75
Depreciation (Other Than Real Estate)	.71	.63	.55
All Other Expenses	4.80	4.12	4.13
Total Other Costs of Doing Business	9.00	8.22	10.80
Total Operating Expenses	26.70	27.10	25.49
Operating Profit or Loss	1.33	4.17	- .09
Other Income	1.87	1.04	1.82
Net Operating Profit or Loss (Before Income Taxes)	3.20	5.21	1.73
Financial Performance			
Profit on Investment	15.42%	26.11%	7.24%
Active Owner's Return	30.90%	39.44%	12.13%
Current Asset Ratio	2.42x	2.19x	4.09x
Quick Asset Ratio	1.02x	.88x	1.33x
Total Debt to Tangible Net Worth	111.48%	87.13%	91.06%
Stock Turn Times	4.02x	4.30x	3.43x
Sales to Inventory Ratio	5.56x	6.21x	4.59x
Average Inventory per Sq. Ft. Sales Area	$35.25	$69.34	$74.30
Net Sales to Accounts Receivable	9.83x	13.07x	12.09x
Net Sales to Total Assets	2.28x	2.68x	2.20x
Net Sales to Net Worth	4.82x	5.01x	4.21x
Net Sales to Net Working Capital	5.32x	6.85x	4.10x
Other Operating Data			
Credit Sales — % of Total Gross Sales	64.46%	37.79%	53.75%
Consumer Sales — % of Total Gross Sales	55.11%	63.09%	64.05%
Selling Area — Square Feet	11,678	14,511	13,331
Sales Per Square Foot — Selling Area	$165.59	$224.06	$102.52
Total Area — Square Feet	29,408	31,308	20,700
Sales Per Square Foot — Total Area	$76.40	$102.88	$34.82
Sales Per Person Employed	$106,887	$106,055	$116,315
Sales Per Customer	$37.21	$25.67	$56.81

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Store Location: Part II

		Free-Standing	
Income Statement Data	**Shopping Centers**	**No Stores Adjacent**	**Stores Nearby**
Number of Stores	29	70	99
Net Sales Volume	$1,444,420	$3,664,105	$2,729,068
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+8.87%	+6.53%	+2.39%
Gross Sales	100.71%	103.25%	102.71%
Less: Total Deductions	.71	3.25	2.71
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.06	69.10	71.64
Margin Before Purchase Rebate or Patronage Dividend	34.94	30.90	28.36
Purchase Rebate or Patronage Dividend	.62	.65	.30
Margin After Purchase Rebate or Patronage Dividend	35.56	31.55	28.66
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.07	2.16	3.57
Salaries/Wages — Other Employees	12.20	10.66	9.35
Federal and State Payroll Taxes	1.31	1.27	1.03
Group Insurance	.51	.69	.42
Benefit Plans	.98	1.04	.65
Total Payroll and Other Employee Expense	18.07	15.82	15.02
Occupancy Expense			
Heat, Light, Power, Water	1.24	.53	.64
Building Repairs and Maintenance	.11	.19	.18
Rent or Ownership in Real Estate**	3.87	1.50	2.22
Total Occupancy Expense	5.22	2.22	3.04
Other Costs of Doing Business			
Advertising and Promotion	2.41	1.66	2.03
Insurance (Other Than Real Estate and Group)	.64	.37	.44
Taxes (Other Than Real Estate and Payroll)	.36	.19	.33
Interest (Other Than Real Estate)	1.21	.76	1.00
Depreciation (Other Than Real Estate)	.88	.67	.57
All Other Expenses	3.89	3.88	4.66
Total Other Costs of Doing Business	9.39	7.53	9.03
Total Operating Expenses	32.68	25.57	27.09
Operating Profit or Loss	2.88	5.98	1.57
Other Income	.93	1.02	1.39
Net Operating Profit or Loss (Before Income Taxes)	3.81	7.00	2.96
Financial Performance			
Profit on Investment	17.85%	36.50%	14.70%
Active Owner's Return	32.22%	47.75%	32.47%
Current Asset Ratio	2.44x	2.04x	2.39x
Quick Asset Ratio	.63x	.88x	.98x
Total Debt to Tangible Net Worth	91.64%	105.49%	88.56%
Stock Turn Times	3.23x	4.26x	4.43x
Sales to Inventory Ratio	4.97x	6.16x	6.19x
Average Inventory per Sq. Ft. Sales Area	$44.05	$56.02	$50.64
Net Sales to Accounts Receivable	29.65x	10.00x	13.54x
Net Sales to Total Assets	2.44x	2.54x	2.64x
Net Sales to Net Worth	4.68x	5.21x	4.98x
Net Sales to Net Working Capital	6.18x	6.80x	6.29x
Other Operating Data			
Credit Sales — % Total Gross Sales	17.47%	32.52%	49.46%
Consumer Sales — % of Total Gross Sales	78.96%	53.69%	60.94%
Selling Area — Square Feet	12,880	14,470	14,802
Sales Per Square Foot — Selling Area	$127.76	$226.05	$172.76
Total Area — Square Feet	17,165	41,933	31,552
Sales Per Square Foot — Total Area	$91.61	$78.75	$90.43
Sales Per Person Employed	$71,985	$108,708	$111,477
Sales Per Customer	$9.58	$42.12	$29.02

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**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Number of Stores

Income Statement Data	**Single Store Business**	**2 To 4 Stores**	**5 To 10 Stores**	**11 Stores Or More**
Number of Stores	105	48	31	72
Net Sales Volume	$2,611,517	$4,144,350	$1,906,278	$1,965,677
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+4.41%	+2.15%	- .30%	+4.65%
Gross Sales	102.17%	103.43%	100.25%	103.35%
Less: Total Deductions	2.17	3.43	.25	3.35
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.46	68.92	68.81	74.44
Margin Before Purchase Rebate or Patronage Dividend	29.54	31.08	31.19	25.56
Purchase Rebate or Patronage Dividend	.40	.61	.34	.15
Margin After Purchase Rebate or Patronage Dividend	29.94	31.69	31.53	25.71
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	3.35	2.34	1.29	1.43
Salaries/Wages — Other Employees	10.53	9.94	13.26	8.71
Federal and State Payroll Taxes	1.15	1.11	1.21	1.27
Group Insurance	.46	.71	.60	.26
Benefit Plans	.75	1.23	.44	.37
Total Payroll and Other Employee Expense	16.24	15.33	16.80	12.04
Occupancy Expense				
Heat, Light, Power, Water	.61	.55	1.04	.83
Building Repairs and Maintenance	.15	.18	.21	.18
Rent or Ownership in Real Estate**	2.27	1.46	3.40	1.39
Total Occupancy Expense	3.03	2.19	4.65	2.40
Other Costs of Doing Business				
Advertising and Promotion	1.75	1.48	2.75	2.58
Insurance (Other Than Real Estate or Group)	.60	.23	.44	.09
Taxes (Other Than Real Estate or Payroll)	.44	.07	.13	.41
Interest (Other Than Real Estate)	.87	.83	.95	3.11
Depreciation (Other Than Real Estate)	.71	.63	.56	.43
All Other Expenses	4.11	4.22	4.24	4.26
Total Other Costs of Doing Business	8.48	7.46	9.07	10.88
Total Operating Expenses	27.75	24.98	30.52	25.32
Operating Profit or Loss	2.19	6.71	1.01	.39
Other Income	1.40	.86	.70	1.82
Net Operating Profit or Loss (Before Income Taxes)	3.59	7.57	1.71	2.21
Financial Performance				
Profit on Investment	16.63%	38.78%	8.24%	10.90%
Active Owner's Return	32.16%	50.79%	14.42%	17.96%
Current Asset Ratio	2.38x	2.09x	2.67x	3.25x
Quick Asset Ratio	1.02x	.82x	.57x	1.22x
Total Debt to Tangible Net Worth	94.56%	83.17%	68.94%	103.02%
Stock Turn Times	4.22x	4.33x	3.06x	4.13x
Sales to Inventory Ratio	5.99x	6.28x	4.45x	5.55x
Average Inventory Per Sq. Ft. Sales Area	$30.26	$118.49	$213.73	$674.54
Net Sales to Accounts Receivable	11.02x	11.63x	23.15x	14.93x
Net Sales to Total Assets	2.38x	2.80x	2.84x	2.43x
Net Sales to Net Worth	4.63x	5.12x	4.80x	4.94x
Net Sales to Net Working Capital	5.80x	7.30x	5.66x	5.03x
Other Operating Data				
Credit Sales — % of Total Gross Sales	52.29%	36.47%	51.60%	33.70%
Consumer Sales — % of Total Gross Sales	56.62%	55.86%	76.10%	67.97%
Selling Area — Square Feet	14,570	15,213	12,906	11,947
Sales per Square Foot — Selling Area	$180.09	$255.35	$155.83	$178.05
Total Area — Square Feet	31,614	41,211	19,331	18,707
Sales per Square Foot — Total Area	$81.58	$95.82	$101.02	$87.02
Sales per Person Employed	$107,654	$104,534	$88,333	$125,358
Sales per Customer	$25.23	$46.87	$9.59	$46.62

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Store Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	58	188
Net Sales Volume	$3,463,083	$2,418,979
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+1.11%	+4.87%
Gross Sales	101.37%	$103.26%
Less: Total Deductions	1.37	3.26
Net Sales	100.00%	100.00%
Cost of Goods Sold	72.26	69.83
Margin Before Purchase Rebate or Patronage Dividend	27.74	30.17
Purchase Rebate or Patronage Dividend	.19	.51
Margin After Purchase Rebate or Patronage Dividend	27.93	30.68
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	3.32	2.09
Salaries/Wages — Other Employees	9.96	10.40
Federal and State Payroll Taxes	1.28	1.12
Group Insurance	.55	.49
Benefit Plans	.70	.82
Total Payroll and Other Employee Expense	15.81	14.92
Occupancy Expense		
Heat, Light, Power, Water	.46	.77
Building Repairs and Maintenance	.24	.15
Rent or Ownership in Real Estate**	2.07	1.83
Total Occupancy Expense	2.77	2.75
Other Costs of Doing Business		
Advertising and Promotion	1.34	2.19
Insurance (Other Than Real Estate or Group)	.44	.34
Taxes (Other Than Real Estate or Payroll)	.28	.30
Interest (Other Than Real Estate)	1.04	1.49
Depreciation (Other Than Real Estate)	.70	59
All Other Expenses	4.43	4.13
Total Other Costs of Doing Business	8.23	9.04
Total Operating Expenses	26.81	26.71
Operating Profit or Loss	1.12	3.97
Other Income	1.57	1.13
Net Operating Profit or Loss (Before Income Taxes)	2.69	5.10
Financial Performance		
Profit on Investment	13.05%	24.58%
Active Owner's Return	29.18%	34.65%
Current Asset Ratio	2.52x	2.41x
Quick Asset Ratio	1.07x	.91x
Total Debt to Tangible Net Worth	88.67%	91.95%
Stock Turn Times	4.31x	4.00x
Sales to Inventory Ratio	5.97x	5.73x
Average Inventory Per Sq. Ft. Sales Area	$57.48	$66.77
Net Sales to Accounts Receivable	9.98x	13.62x
Net Sales to Total Assets	2.58x	2.51x
Net Sales to Net Worth	4.86x	4.82x
Net Sales to Net Working Capital	5.67x	6.06x
Other Operating Data		
Credit Sales — % of Total Gross Sales	67.70%	30.04%
Consumer Sales — % of Total Gross Sales	32.43%	71.46%
Selling Area — Square Feet	12,965	14,098
Sales per Square Foot — Selling Area	$266.44	$155.90
Total Area — Square Feet	45,106	23,575
Sales per Square Foot — Total Area	$77.51	$91.35
Sales per Person Employed	$117,986	$103,899
Sales per Customer	$50.22	$26.59

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0} = 15.8\%$
Hand Tools	$\frac{10.0}{95.0} = 10.5\%$
Paint & Home Decorating	$\frac{20.0}{95.0} = 21.1\%$
Building Materials	$\frac{50.0}{95.0} = 52.6\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.57 which means $1.57 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	% Handling	Handling Firms Only % of Net Sales	% of Sales Floor*	% of Inventory	$ Sales Per Sq. Ft. Sales Area	Average Home Center Profile % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	9.1	11.0	9.1	130.67	9.1	11.0	9.1
Hand Tools	100.0	3.0	6.2	3.0	114.88	3.0	6.2	3.0
Power Tools & Accessories	100.0	2.4	4.2	3.0	145.08	2.4	4.2	3.0
Plumbing, Heating and Cooling	100.0	6.6	7.0	7.5	130.72	6.6	7.0	7.5
Electrical Supplies	100.0	4.5	8.4	4.5	121.19	4.5	8.4	4.5
Paint & Home Decorating	100.0	7.3	12.5	7.1	143.42	7.3	12.5	7.1
Lumber	89.3	31.7	13.1	31.1	389.12	27.7	10.5	27.9
Building Materials	98.3	28.0	25.2	26.8	225.61	26.8	21.7	25.8
Lawn & Garden	91.0	5.7	8.6	5.3	125.27	5.0	7.3	4.8
Housewares	65.5	3.4	4.2	3.5	71.48	1.3	2.5	1.0
Automotive Supplies	33.3	2.8	3.7	1.9	110.64	.9	.8	4
Major Appliances & Home Entertainment	16.4	2.8	7.1	4.1	130.01	.5	.6	.5
Sporting Goods & Outdoor Living	24.3	3.3	4.8	6.8	112.03	.8	.7	1.4
Miscellaneous Goods	81.9	5.2	8.5	4.9	102.85	4.1	6.6	4.0
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sales To Inventory Ratio X	Gross Margin Return On Inventory (GMROI) $
Hardware	40.2	4.7	1.88
Hand Tools	35.9	5.8	2.06
Power Tools & Accessories	30.3	4.2	1.28
Plumbing, Heating & Cooling	36.9	5.1	1.88
Electrical Supplies	37.3	5.0	1.87
Paint & Home Decorating	33.9	6.1	2.06
Lumber	25.0	6.9	1.72
Building Materials	26.2	6.6	1.74
Lawn & Garden	31.3	5.0	1.57
Housewares	32.8	3.9	1.28
Automotive Supplies	32.3	4.5	1.44
Major Appliances & Home Entertainment	17.4	3.8	.67
Sporting Goods & Outdoor Living	33.0	3.7	1.21
Miscellaneous Goods	17.9	4.8	.86

APPENDIX

Definition of Terms

Income Statement Data
The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment: gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet
The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts), merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

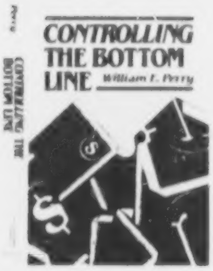
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.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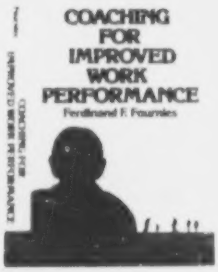
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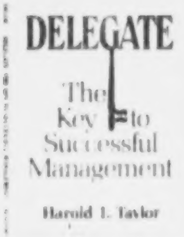
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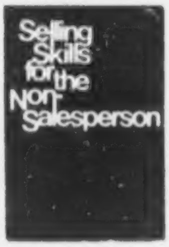
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Affiliated Associations

California Pacific Southwest Hardware Association: William R. Maze, 122 Ninth St., San Francisco, CA 94103 *(415) 552-0536*

Canadian Retail Hardware Association: Thomas M. Ross, 6800 Campobello Rd., Mississauga, Ont. L5N-2L8 *(416) 821-3470, (800) 268-3965 (Canada only)*

Hardware Association of the Carolinas and Virginias: Paul R. Gelsleichter, 412 Louise Ave., Charlotte, N.C. 28204 *(704) 332-3141; (800) 367-4228 (N.C. only), (800) 843-4228 (S.C., Va., W. Va.)*

Illinois Retail Hardware Association: John C. Friel, 215 W. Prospect Ave., Mt. Prospect 60056 *(312) 392-8700*

Indiana-Kentucky Hardware Association: Richard L. Russell, 4120 N. Keystone, Indianapolis, IN 46205 *(317) 547-5471*

Intermountain Association: R.M. Henderlider, 2230 Main St., Boise, Idaho 83706 *(208) 342-7779*

Iowa Retail Hardware Association: John C. Phillips, 520 35th St., Des Moines 50312 *(515) 274-0401, (800) 652-9609 (Iowa only)*

Michigan Retail Hardware Association: Thomas A. Aitken, 4414 S. Pennsylvania Ave., P.O. Box 30085, Lansing 48909 *(517) 394-1710*

Mid-South Region: Jack Rice, 770 N. High School Rd., Indianapolis, Ind. 46214-3798 *(317) 248-1261; (800) 672-6742 (Tenn., Miss., Ala. only)*

Minnesota-Dakotas Retail Hardware Association: Steve Johnson, 3033 Excelsior Blvd., Minneapolis, Minn. 55416 *(612) 929-4691, (800) 862-5964 (Minn. only), (800) 328-4874 (Dakotas only)*

Montana Hardware and Implement Association: George Allen, P.O. Box 440, Helena 59624 *(406) 442-3388*

Mountain States Hardware and Implement Association: Max L. Sauder, 1380 Carr St., Lakewood, Colo. 80215 *(303) 233-2101*

New England Hardware Dealers Association: Leonard J. Palmisano, Lakeside Office Park, Door #10, 599 North Ave., Wakefield, Mass. 01880 *(617) 246-1510*

New York State Retail Hardware Association: Larry Bowser, 6500 Joy Rd., East Syracuse 13057 *(315) 437-7318*

Ohio Hardware Association: Joe B. Bailey Jr., 1540 W. Fifth Ave., (43212); P.O. Box 1828, Columbus 43216 *(614) 486-5278, (800) 282-1642 (Ohio only)*

Pacific Northwest Hardware and Implement Association: Mac Smith, Rm. 606, 333 S.W. Fifth Ave., Portland, Ore. 97204 *(503) 226-1641*

Pennsylvania and Atlantic Seaboard Hardware Association: Hal Marsolais, 949 East Park Dr., Harrisburg, Pa. 17111 *(717) 564-7011*

Southern Association: R.L. Ricker, 2111 Smith St., Orange Park, Fla. 32073 *(904) 264-7525*

Southwest Hardware and Implement Association: Allen E. Murfin, 4629 Mark IV Parkway, Ft. Worth, Texas 76106 *(817) 625-5562*

Western Retail Implement and Hardware Association: Jeff Flora, 638 W. 39th St., (64111); P.O. Box 19264, Kansas City, Mo. 64141 *(816) 561-5233*

Wisconsin Retail Hardware Association: Robert L. Gast, 1421 Strongs Ave., Stevens Point 54481 *(715) 346-9600*

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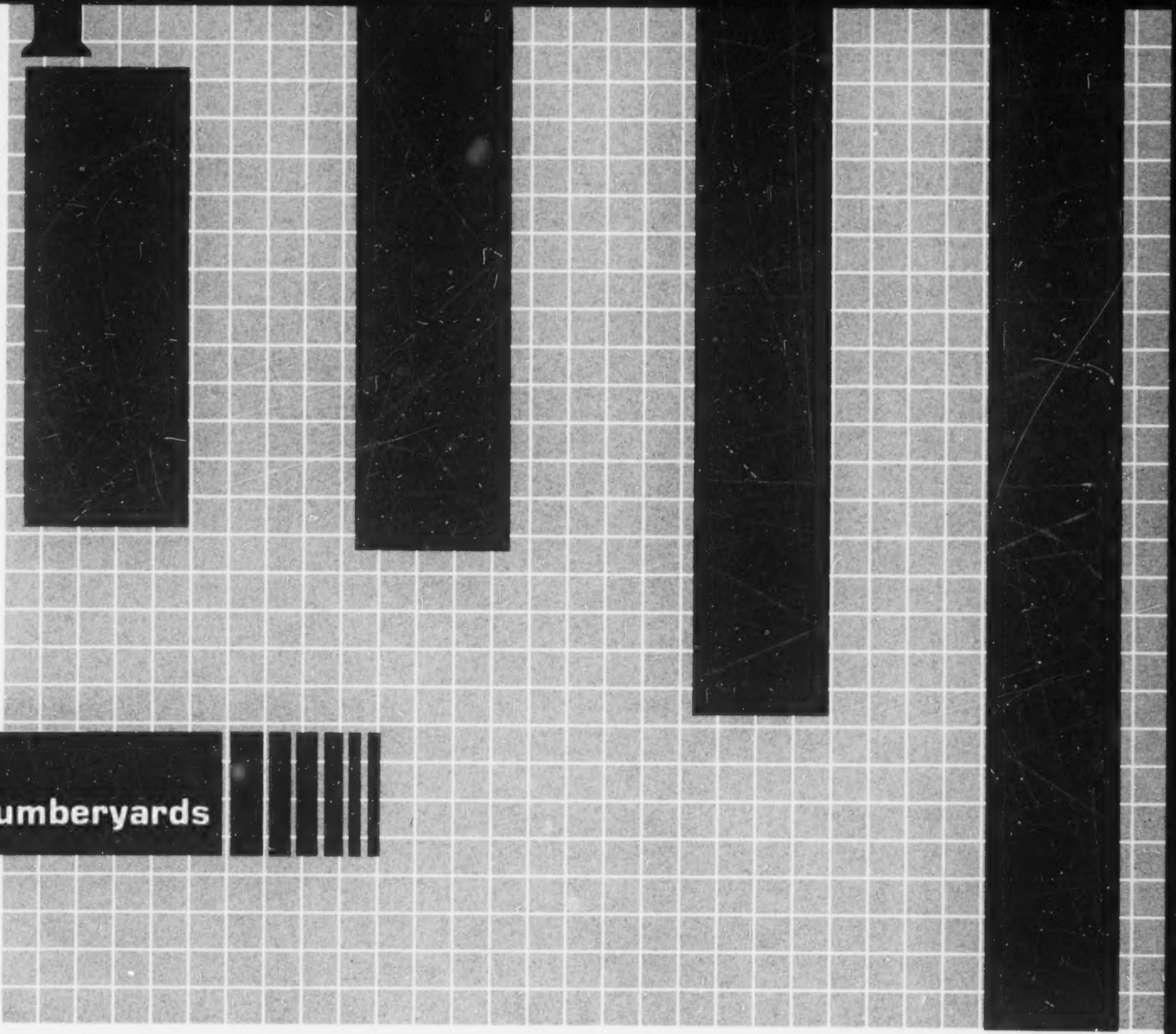
THE 1986 PROFIT REPORT

For DIY Lumberyards



NRHA National Retail Hardware Association
Comprised of twenty-one regional and state hardware associations and Canada

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August 31, 1986

To Retailers Serving Do-It-Yourself Consumers:

In recent years the Do-It-Yourself industry has experienced a proliferation of store units unparalleled in the history of hard goods retailing.

Today's competitive arena demands a higher degree of management skill and merchandising expertise of the retailer who plans to hold or expand his share of a growing market.

Nothing is more critical in retail management than an accurate analysis of operating costs, margins, and financial ratios to indicate the relative strengths and weaknesses of an individual retail operation. That is the purpose of this industry-wide compilation of financial operations data. It can be an invaluable tool in your process of analysis and future planning.

Compare your operating results with those reported by hundreds of other retailers to determine those areas which must be strengthened or more strictly controlled to produce the results necessary to permit your business to prosper and grow during this critical period.

If you submitted your financial data for this study, you have received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If not, please plan to supply us with your results next year. All individual store data is strictly confidential.

We are indebted to all retailers who provided input data to make this study possible, and we hope you will use it to improve your future operating results.

Very truly yours,

Richard H. Lambert

RICHARD H. LAMBERT
Managing Director

RHL/tm

Publishers of
Do-It-Yourself Retailing

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NRHA
National
Retail Hardware
Association

HCI
home center
institute

Prepared By:
Marketing Research Department

Introduction

THE PROFIT REPORT

The 1986 Profit Report presents financial operating data for consumer oriented lumber and building materials retailers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives:

- To assess the financial performance of lumber/building materials operations in 1985
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling lumber/building materials retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail lumber/building material industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends for 1981 through 1985; The Strategic Profit Model; Average Operating Results for 1985; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Profit Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average outlet. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Outlet

Many factors influence a lumber/building materials outlet's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets
—Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the retail lumber/building materials men and women who provide detailed information on their operations. Questionnaires were sent to lumber/building materials operators in February, 1986. Two hundred and eighty usable returns were received by June 15, 1986 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each lumber/building materials operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to the The Profit Report are The Management Report for retail hardware stores and The Bottom Line for home centers.

For Assistance

Assistance and aid in interpreting The 1986 Profit Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.

Historical Trends

	ALL DIY LUMBER OUTLETS FISCAL YEAR				
Income Statement Data	1985	1984	1983	1982	1981
Net Sales Volume	$2,069,693	$1,680,266	$1,243,862	$1,292,917	$1,371,983
Gross Sales	102.03%	101.87%	102.27%	101.66%	101.52%
Less: Total Deductions	2.03	1.87	2.27	1.66	1.52
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.50	74.37	73.99	73.60	74.30
Margin Before Purchase Rebate or Patronage Dividend	25.50	25.63	26.01	26.40	25.70
Purchase Rebate or Patronage Dividend	.14	.14	.16	.13	—
Margin After Purchase Rebate or Patronage Dividend	25.64	25.77	26.17	26.53	25.70
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.98	3.84	3.79	4.32	2.79
Salaries/Wages — Other Employees	9.08	8.23	8.89	9.37	10.34
Federal and State Payroll Taxes	.96	1.01	1.00	1.06	.89
Group Insurance	.46	.56	.59	.56	.63
Benefit Plans	.51	.47	.50	.54	.55
Total Payroll and Other Employee Expense	13.99	14.11	14.77	15.85	15.20
Occupancy Expense					
Heat, Light, Power, Water	.40	.45	.43	.57	.39
Building Repairs and Maintenance	.11	.34	.31	.23	.22
Rent or Ownership in Real Estate**	1.83	1.89	2.01	2.24	1.76
Total Occupancy Expense	2.34	2.68	2.75	3.04	2.37
Other Costs of Doing Business					
Advertising and Promotion	.95	.79	1.01	1.13	.97
Insurance (Other than Real Estate or Group)	.60	.48	.49	.62	.54
Taxes (Other than Real Estate and Payroll)	.30	.29	.39	.38	.37
Interest (Other than Real Estate)	.90	1.13	1.11	1.58	1.54
Depreciation (Other than Real Estate)	.70	.67	.71	.69	.57
All Other Expenses	4.48	3.60	3.72	4.26	4.05
Total Other Costs of Doing Business	7.93	6.96	7.43	8.66	8.04
Total Operating Expenses	24.26	23.75	24.95	27.55	25.61
Operating Profit or Loss	1.38	2.02	1.22	-1.02	.09
Other Income	1.81	1.58	1.92	2.21	2.39
Net Operating Profit or Loss (Before Income Taxes)	3.19	3.60	3.14	1.19	2.48
Financial Performance					
Profit on Investment	14.78%	15.99%	13.81%	4.63%	10.29%
Active Owner's Return	28.57%	33.01%	30.51%	21.50%	17.99%
Current Asset Ratio	2.51x	2.62x	2.68x	2.79x	2.98x
Quick Asset Ratio	1.23x	1.27x	1.16x	1.31x	1.36x
Total Debt to Tangible Net Worth	80.57%	83.69%	99.75%	93.27%	80.85%
Stock Turn Times	5.05x	4.56x	3.99x	3.73x	4.27x
Sales to Inventory Ratio	6.77x	6.13x	5.39x	5.07x	5.74x
Average Inventory per Sq. Ft. Sales Area	$93.23	$83.66	$93.64	$100.20	$102.33
Net Sales to Accounts Receivable	9.39x	9.27x	9.84x	9.32x	10.47x
Net Sales to Total Assets	2.56x	2.41x	2.20x	2.02x	2.30x
Net Sales to Net Worth	4.62x	4.44x	4.40x	3.91x	4.15x
Net Sales to Net Working Capital	5.68x	5.03x	4.60x	4.17x	4.63x
Other Operating Data					
Credit Sales — % of Total Gross Sales	69.95%	76.14%	67.60%	65.96%	64.39%
Consumer Sales — % of Total Gross Sales	45.49%	54.36%	55.68%	58.86%	55.44%
Selling Area — Square Feet	4,273	4,208	3,989	4,209	4,430
Sales Per Square Foot — Selling Area	$448.70	$409.61	$311.82	$307.18	$309.70
Total Area — Square Feet	16,321	17,598	18,550	16,788	17,223
Sales Per Square Foot — Total Area	$138.17	$85.39	$67.05	$77.01	$79.66
Sales Per Person Employed	$131,436	$138,073	$110,591	$97,559	$113,042
Sales Per Customer	$87.52	$67.78	$71.45	$64.16	$24.26

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	7.8%	9.6%	9.6%	9.8%	8.4%	$136.03	$138.64	$162.07	$123.38	$141.33
Hand Tools*	2.4	2.0	2.3	1.9	2.9	126.86	143.07	134.79	95.68	125.23
Power Tools & Accessories*	1.5	1.7	1.8	1.3		157.69	144.61	125.14	105.09	
Plumbing, Heating & Cooling	3.8	5.0	4.7	4.6	4.5	156.64	198.75	222.30	138.67	157.18
Electrical Supplies	2.4	3.4	3.0	2.8	3.4	149.06	177.62	176.09	69.08	141.63
Paint & Home Decorating	6.2	5.9	6.3	7.9	6.6	172.86	174.12	168.93	134.53	137.04
Lumber	34.5	32.6	32.5	27.2	30.6	986.83	769.24	796.75	NA	NA
Building Materials	31.4	33.3	32.7	39.7	35.0	719.64	606.85	405.29	454.44	459.24
Lawn & Garden	1.6	1.3	1.5	1.3	1.7	130.32	175.27	173.68	121.01	136.79
Housewares	.4	.6	.4	.3	.3	95.61	92.33	156.68	102.39	130.23
Automotive Supplies	.1	.1	.1	.1	.1	98.13	133.28	112.92	167.22	129.42
Major Appliances & Home Entertainment	.5	1.0	.7	.6	.9	116.51	65.30	112.87	266.53	268.09
Sporting Goods & Outdoor Living	8	.2	.3	.1	.2	—	97.67	162.96	67.97	92.18
Miscellaneous Goods	6.6	3.3	4.1	2.4	5.4	161.27	173.25	434.53	223.92	242.66

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	3.8x	3.4x	3.4x	3.6x	4.6x	$1.43	$1.13	$1.12	$1.14	$1.61
Hand Tools*	4.1	4.0	3.6	3.2	5.3	1.44	1.22	1.12	1.01	1.68
Power Tools & Accessories*	4.1	3.8	4.0	3.5		1.28	.94	1.13	1.04	
Plumbing, Heating & Cooling	3.9	4.1	3.6	3.8	5.2	1.32	1.24	.99	1.20	1.72
Electrical Supplies	3.7	5.2	3.3	3.5	5.6	1.32	1.72	1.10	1.07	1.89
Paint & Home Decorating	4.2	4.5	3.8	4.0	4.6	1.45	1.34	1.21	1.33	1.79
Lumber	7.3	6.5	6.5	6.2	7.6	1.73	1.56	1.65	1.66	1.85
Building Materials	7.5	7.1	6.1	5.7	6.4	1.98	1.98	1.66	1.56	1.66
Lawn & Garden	4.9	5.0	3.8	3.7	4.4	1.64	1.33	1.14	1.07	1.23
Housewares	3.7	2.3	2.3	3.7	4.8	1.21	.52	.54	1.00	1.03
Automotive Supplies	3.0	2.3	2.1	3.8	4.8	.87	.68	.71	1.17	1.01
Major Appliances & Home Entertainment	4.7	2.6	4.1	3.8	4.0	.96	.69	1.04	.98	.81
Sporting Goods & Outdoor Living	—	2.6	3.9	4.5	5.3	—	.73	.83	.85	1.16
Miscellaneous Goods	6.3	8.0	4.4	4.7	4.7	1.76	2.16	1.25	1.42	1.39

*Hand and power tools were not reported as separate categories in 1981.

**Average DIY Lumber Outlet.

Monthly Sales

Month	1985	1984	1983	1982	1981
January	6.2	6.1	5.7	6.1	5.7
February	5.6	5.8	5.3	5.6	5.6
March	7.0	6.7	6.6	6.9	7.2
April	8.8	8.2	8.0	8.3	8.9
May	9.8	9.9	9.4	9.6	9.2
June	9.4	10.1	10.1	9.4	9.8
July	9.3	9.2	9.4	9.2	9.7
August	9.2	9.1	9.3	9.0	9.3
September	8.5	8.5	8.9	8.9	9.6
October	9.0	8.8	9.1	9.2	9.6
November	8.4	8.5	8.6	8.5	8.0
December	8.8	9.1	9.6	9.3	7.4

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

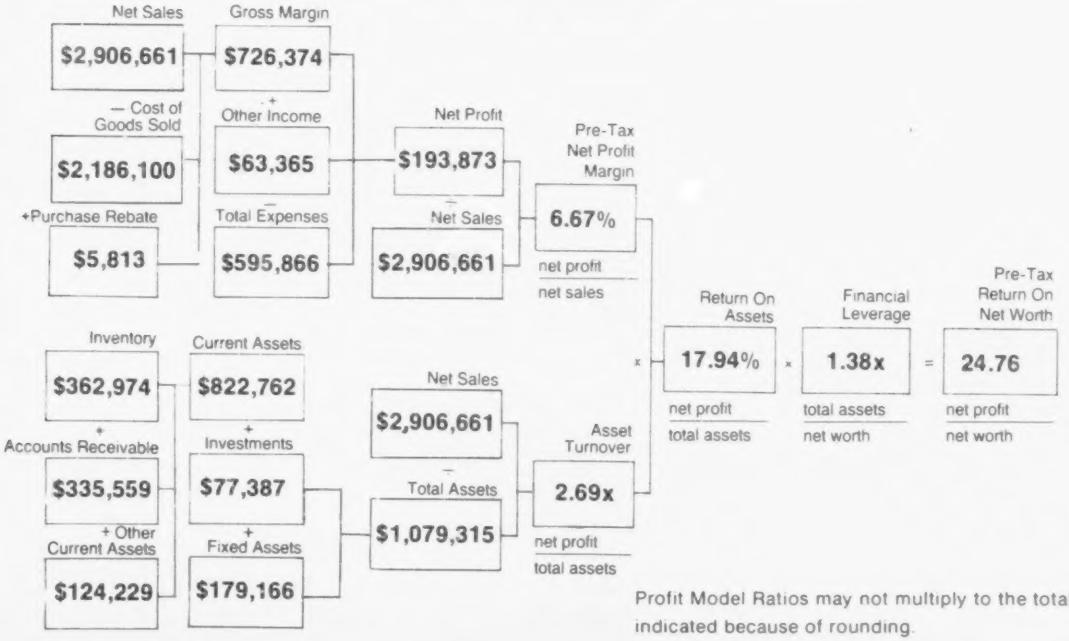
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Outlets


Net Sales
$2,906,661
Gross Margin
$726,374
— Cost of Goods Sold
$2,186,100
+
Other Income
$63,365
+Purchase Rebate
$5,813
—
Total Expenses
$595,866
Net Profit
$193,873
÷
Net Sales
$2,906,661
Pre-Tax Net Profit Margin
6.67%
net profit
net sales
Inventory
$362,974
+
Accounts Receivable
$335,559
+ Other Current Assets
$124,229
Current Assets
$822,762
+
Investments
$77,387
+
Fixed Assets
$179,166
Net Sales
$2,906,661
÷
Total Assets
$1,079,315
Asset Turnover
2.69x
net profit
total assets
x
Return On Assets
17.94%
net profit
total assets
x
Financial Leverage
1.38x
total assets
net worth
=
Pre-Tax Return On Net Worth
24.76
net profit
net worth

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of DIY Lumber Outlet	1985 Net Sales ($)	Sales Increase Over 1984* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All DIY Lumber Outlets	2,069,693	+4.80	25.64	3.19	14.78	5.05
Low Profit	1,354,905	-3.05	25.89	-1.02	-5.68	3.58
High Profit	2,906,661	+7.80	24.99	6.67	24.82	6.14
Sales Volume Size						
Under $500,000	390,841	-3.86	28.14	1.61	3.74	2.57
$500,000 to $999,999	761,466	-5.55	27.28	2.62	7.32	3.11
$1,000,000 to $1,999,999	1,417,640	+1.98	25.88	2.29	10.14	4.12
$2,000,000 or more	4,378,696	+7.23	25.29	3.62	19.14	6.11
Sales Floor Size						
Under 3,000 Sq. Ft.	1,459,719	+3.24	25.80	3.75	16.73	6.02
3,000 to 4,999 Sq. Ft.	1,884,257	+2.00	24.91	1.73	10.27	4.78
5,000 Sq. Ft. or more	2,410,608	+7.89	26.22	3.03	15.72	5.16
Trade Area Size						
M.S.A.	2,925,204	+7.82	25.54	3.97	19.81	7.09
Cities-10,000 to 50,000	2,455,743	+7.05	27.37	3.09	15.64	4.66
Towns Under 10,000	1,693,431	+2.71	24.81	2.89	12.30	4.58
Outlet Location: Part I						
Downtown	1,248,415	+5.89	25.81	3.22	12.75	4.40
Suburban	2,781,786	+4.77	25.75	3.33	16.71	5.53
Rural	1,563,719	+2.75	23.99	2.70	11.15	4.20
Outlet Location: Part II						
Shopping Centers	1,571,499	+1.78	24.59	1.30	5.13	3.29
Free-Standing — No Stores Adjacent	2,397,561	+5.68	25.76	3.36	14.90	4.94
Free-Standing — Stores Nearby	1,698,072	+3.87	25.81	2.59	12.86	5.02
Outlet Orientation:						
Consumer-Oriented	2,848,952	+5.17	25.31	3.38	16.76	5.90
Contractor-Oriented	1,167,237	+3.68	26.56	3.12	11.93	3.88

*As reported by The Profit Report contributors

Monthly Sales

	%		%		%
January	6.2	May	9.8	September	8.5
February	5.6	June	9.4	October	9.0
March	7.0	July	9.3	November	8.4
April	8.8	August	9.2	December	8.8

All Outlets

Income Statement Data	**All DIY Lumber Outlets**	**Low† Profit Outlets**	**High†† Profit Outlets**
Number of Outlets	308	83	76
Net Sales Volume	$2,069,693	$1,354,905	$2,906,661
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+4.80%	-3.05%	+7.80%
Gross Sales	102.03%	102.70%	102.03%
Less: Total Deductions	2.03	2.70	2.03
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.50	74.25	75.21
Margin Before Purchase Rebate or Patronage Dividend	25.50	25.75	24.79
Purchase Rebate or Patronage Dividend	.14	.14	.20
Margin After Purchase Rebate or Patronage Dividend	25.64	25.89	24.99
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.98	2.36	3.35
Salaries/Wages — Other Employees	9.08	11.55	7.59
Federal and State Payroll Taxes	.96	1.21	.83
Group Insurance	.46	.77	.44
Benefit Plans	.51	.31	.39
Total Payroll and Other Employee Expense	13.99	16.20	12.60
Occupancy Expense			
Heat, Light, Power, Water	.40	.53	.29
Building Repairs and Maintenance	.11	.12	.09
Rent or Ownership in Real Estate**	1.83	2.00	1.31
Total Occupancy Expense	2.34	2.65	1.69
Other Costs of Doing Business			
Office Supplies and Postage	.36	.47	.30
Advertising and Promotion	.95	1.15	.74
Donations	.05	.03	.06
Telephone and Telegraph	.27	.42	.23
Bad Debts	.48	.53	.33
Credit Card Expense (Bank Charges)	.06	.04	.04
Delivery (Other than Wages)	1.10	1.04	.82
Leasing Expenses (Non-Occupancy)	.10	.22	.06
Insurance (Other than Real Estate and Group)	.60	.65	.52
Taxes (Other than Real Estate and Payroll)	.30	.36	.29
Interest (Other than Real Estate)	.90	1.86	.34
Depreciation (Other than Real Estate)	.70	1.06	.54
Store and Shop Supplies	.26	.25	.07
Legal and Accounting	.25	.30	.23
Computer Services and Expenses (Other than Wages)	.11	.17	.07
Dues and Subscriptions	.06	.09	.05
Travel, Buying, Entertainment	.19	.21	.12
Miscellaneous Services (Laundry, Disposal, Etc.)	.05	.06	.05
Unclassified Expenses	1.14	.95	1.35
Total Other Costs of Doing Business	7.93	9.86	6.21
Total Operating Expenses	24.26	28.71	20.50
Operating Profit or Loss	1.38	-2.82	4.49
Other Income	1.81	1.80	2.18
Net Operating Profit or Loss (Before Income Taxes)	3.19	-1.02	6.67

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Outlets

Balance Sheet Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$808,052	$623,981	$1,079,316
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.41	2.43	6.68
Notes and Installment Contracts Receivable	1.53	.85	2.12
Accounts Receivable	27.28	21.52	31.09
Merchandise Inventory (End of Year)	38.33	45.37	33.63
Other Current Assets	2.37	2.61	2.71
Total Current Assets	74.92	72.78	76.23
Stocks and Bonds	1.32	1.99	1.29
Real Estate (Not Used In Business)	2.11	.83	3.97
Other Investments	2.86	1.45	1.91
Total Investments	6.29	4.27	7.17
Land (Owned and Used In Business)	2.36	3.02	1.74
Buildings (Owned and Used In Business Less Depreciation)	6.80	11.10	5.27
Leasehold Improvements (Less Amortization Allowance)	.89	.35	1.43
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	3.91	5.08	2.16
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.49	1.92	2.95
Other Fixed Assets	2.34	1.48	3.05
Total Fixed Assets	18.79	22.95	16.60
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.28	13.14	10.87
Current Portion of Notes Payable	7.12	12.31	5.55
Accrued Payroll Taxes	.55	.42	.89
Accrued Other Taxes	1.24	.93	1.56
Other Accrued Expenses	2.29	1.99	2.52
Other Current Liabilities	5.39	8.67	3.63
Total Current Liabilities	29.87	37.46	25.02
Notes Due Partners/Officers	2.53	4.21	.99
Mortgage Payable	4.60	6.00	5.29
Long Term Debt	9.61	11.85	4.13
Other Long Term Liabilities	-1.98	1.17	-7.84
Total Long Term Liabilities	14.76	23.23	2.57
Total Liabilities	44.63	60.69	27.59
Net Worth	55.37	39.31	72.41
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	14.78%	-5.68%	24.82%
Active Owner's Return	28.57%	7.35%	37.28%
Current Asset Ratio	2.51x	1.94x	3.05x
Quick Asset Ratio	1.23x	.73x	1.70x
Total Debt to Tangible Net Worth	80.57%	154.40%	38.13%
Stock Turn Times	5.05x	3.58x	6.14x
Sales to Inventory Ratio	6.77x	4.83x	8.17x
Average Inventory per Sq. Ft. Sales Area	$93.23	$110.87	$70.23
Net Sales to Accounts Receivable	9.39x	10.09x	8.66x
Net Sales to Total Assets	2.56x	2.17x	2.69x
Net Sales to Net Worth	4.62x	5.52x	3.72x
Net Sales to Net Working Capital	5.68x	6.15x	5.26x

Other Operating Data

Credit Sales — % of Total Gross Sales	69.95%	81.60%	73.39%
Consumer Sales — % of Total Gross Sales	45.49%	43.67%	43.08%
Selling Area — Square Feet	4,273	3,456	5,118
Sales Per Square Foot — Selling Area	$448.70	$393.06	$458.55
Total Area — Square Feet	16,321	10,390	12,767
Sales Per Square Foot — Total Area	$138.17	$107.68	$170.26
Sales Per Person Employed	$131,436	$118,009	$189,704
Sales Per Customer	$87.52	$60.07	$103.71

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	**Sales Under $500,000**	**$500,000 To $999,999**	**$1,000,000 To $1,999,999**	**Sales $2,000,000 Or More**
Number of Outlets	57	56	95	100
Net Sales Volume	$390,841	$761,466	$1,417,640	$4,378,696
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	-3.86%	-5.55%	+1.98%	+7.23%
Gross Sales	104.38%	102.68%	102.53%	101.70%
Less: Total Deductions	4.38	2.68	2.53	1.70
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	71.94	72.95	74.31	74.83
Margin Before Purchase Rebate or Patronage Dividend	28.06	27.05	25.69	25.17
Purchase Rebate or Patronage Dividend	.08	.23	.19	.12
Margin After Purchase Rebate or Patronage Dividend	28.14	27.28	25.88	25.29
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.62	3.13	3.01	2.88
Salaries/Wages — Other Employees	10.32	10.87	9.76	8.62
Federal and State Payroll Taxes	1.27	1.46	1.05	.87
Group Insurance	1.02	.57	.46	.42
Benefit Plans	.47	.37	.41	.55
Total Payroll and Other Employee Expense	17.70	16.40	14.69	13.34
Occupancy Expense				
Heat, Light, Power, Water	.77	.60	.50	.34
Building Repairs and Maintenance	.24	.14	.11	.10
Rent or Ownership in Real Estate**	2.28	1.87	1.95	1.76
Total Occupancy Expense	3.29	2.61	2.56	2.20
Other Costs of Doing Business				
Office Supplies and Postage	.43	.41	.46	.32
Advertising and Promotion	1.23	1.05	1.03	.91
Donations	.03	.05	.05	.05
Telephone and Telegraph	.43	.38	.34	.23
Bad Debts	.43	.39	.45	.51
Credit Card Expense (Bank Charges)	.01	.03	.02	.08
Delivery (Other Than Wages)	1.11	1.30	.98	1.12
Leasing Expenses (Non-Occupancy)	.02	.21	.13	.09
Insurance (Other Than Real Estate and Group)	.61	.89	.71	.53
Taxes (Other Than Real Estate and Payroll)	.26	.30	.51	.24
Interest (Other Than Mortgages)	.79	1.20	1.01	.84
Depreciation (Other than Real Estate)	.67	1.03	.87	.62
Store and Shop Supplies	.51	.20	.13	.29
Legal and Accounting	.30	.39	.28	.23
Computer Services and Expenses (Other Than Wages)	.07	.01	.09	.12
Dues and Subscriptions	.09	.09	.07	.06
Travel, Buying, Entertainment	.17	.10	.20	.19
Miscellaneous Services (Laundry, Disposal, etc.)	.11	.07	.04	.04
Unclassified Expenses	.39	.74	.87	1.30
Total Other Costs of Doing Business	7.66	8.84	8.24	7.77
Total Operating Expenses	28.65	27.85	25.49	23.31
Operating Profit or Loss	-.51	-.57	.39	1.98
Other Income	2.12	3.19	1.90	1.64
Net Operating Profit or Loss (Before Income Taxes)	1.61	2.62	2.29	3.62

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Volume Size

Balance Sheet Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$235,686	$439,349	$606,287	$1,532,451
		% of Total Assets		
Assets				
Cash On Hand and In Bank	6.58	9.25	5.79	4.55
Notes and Installment Contracts Receivable	.57	2.82	.93	1.64
Accounts Receivable	14.22	15.84	23.96	31.51
Merchandise Inventory (End of Year)	47.11	41.35	42.99	35.33
Other Current Assets	1.14	2.72	1.68	2.68
Total Current Assets	69.62	71.98	75.35	75.71
Stocks and Bonds	3.29	1.71	1.73	.93
Real Estate (Not Used in Business)	3.24	9.51	2.29	.76
Other Investments	.50	3.30	3.46	2.77
Total Investments	7.03	14.52	7.48	4.46
Land (Owned and Used in Bus.)	3.16	1.54	2.08	2.52
Buildings (Owned and Used in Bus. Less Depre.)	15.78	5.75	5.99	6.49
Leasehold Improvements (Less Amortization Allowance)	.28	.24	1.27	.90
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	1.61	2.45	3.04	4.67
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.35	1.90	2.16	2.72
Other Fixed Assets	.17	1.62	2.63	2.53
Total Fixed Assets	23.35	13.50	17.17	19.83
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	6.93	7.54	11.14	15.56
Current Portion of Notes Payable	2.34	3.67	6.20	8.43
Accrued Payroll Taxes	.51	.56	.27	.66
Accrued Other Taxes	1.23	.51	1.21	1.37
Other Accrued Expenses	.53	2.27	1.17	2.86
Other Current Liabilities	3.26	4.15	7.98	4.80
Total Current Liabilities	14.85	18.70	27.97	33.68
Notes Due Partners/Officers	1.27	5.29	2.62	2.17
Mortgage Payable	2.96	2.88	6.08	4.47
Long Term Debt	9.26	11.22	8.39	9.84
Other Long Term Liabilities	.49	.10	2.06	-4.06
Total Long Term Liabilities	13.98	19.49	19.15	12.42
Total Liabilities	28.83	38.19	47.12	46.10
Net Worth	71.17	61.81	52.88	53.90
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	3.74%	7.32%	10.14%	19.14%
Active Owner's Return	14.50%	16.11%	23.45%	34.39%
Current Asset Ratio	4.69x	3.85x	2.69x	2.25x
Quick Asset Ratio	1.51x	1.64x	1.16x	1.20x
Total Debt to Tangible Net Worth	40.53%	61.75%	89.12%	85.51%
Stock Turn Times	2.57x	3.11x	4.12x	6.11x
Sales to Inventory Ratio	3.58x	4.27x	5.54x	8.17x
Average Inventory per Sq. Ft. Sales Area	$89.16	$54.92	$66.45	$146.94
Net Sales to Accounts Receivable	11.66x	10.94x	9.76x	9.07x
Net Sales to Total Assets	1.66x	1.73x	2.34x	2.86x
Net Sales to Net Worth	2.33x	2.80x	4.42x	5.30x
Net Sales to Net Working Capital	3.03x	3.25x	4.94x	6.80x
Other Operating Data				
Credit Sales — % of Total Gross Sales	79.98%	77.33%	73.19%	67.98%
Consumer Sales — % of Total Gross Sales	64.40%	51.58%	40.87%	35.19%
Selling Area — Square Feet	2,547	3,800	4,688	5,285
Sales Per Square Foot — Selling Area	$104.22	$202.68	$295.75	$853.57
Total Area — Square Feet	8,830	14,748	15,521	23,338
Sales Per Square Foot — Total Area	$44.32	$54.65	$100.00	$228.05
Sales Per Person Employed	$90,194	$107,909	$126,567	$139,626
Sales Per Customer	$30.34	$49.07	$62.01	$114.77

Sales Floor Size

Income Statement Data	**Sales Area Under 3,000 Sq. Ft.**	**3,000 Sq. Ft. To 4,999 Sq. Ft.**	**Sales Area 5,000 Sq. Ft. Or More**
Number of Outlets	88	69	109
Net Sales Volume	$1,459,719	$1,884,257	$2,410,608
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.24%	+2.00%	+7.89%
Gross Sales	102.53%	102.29%	101.56%
Less: Total Deductions	2.53	2.29	1.56
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.24	75.20	73.95
Margin Before Purchase Rebate or Patronage Dividend	25.76	24.80	26.05
Purchase Rebate or Patronage Dividend	.04	.11	.17
Margin After Purchase Rebate Or Patronage Dividend	25.80	24.91	26.22
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	5.07	2.80	2.40
Salaries — Other Employees	8.28	9.76	9.11
Federal and State Payroll Taxes	.86	1.08	.94
Group Insurance	.43	.59	.37
Benefit Plans	.87	.21	.48
Total Payroll and Other Employee Expense	15.51	14.44	13.30
Occupancy Expense			
Heat, Light, Power, Water	.34	.41	.42
Building Repairs and Maintenance	.15	.10	.10
Rent or Ownership in Real Estate**	1.35	1.93	2.20
Total Occupancy Expense	1.84	2.44	2.72
Other Costs of Doing Business			
Office Supplies and Postage	.26	.42	.38
Advertising and Promotion	.51	.95	1.26
Donations	.06	.04	.05
Telephone and Telegraph	.29	.30	.25
Bad Debts	.63	.53	.44
Credit Card Expense (Bank Charges)	.01	.04	.08
Delivery (Other Than Wages)	1.46	1.01	.98
Leasing Expenses (Non-Occupancy)	.10	.17	.09
Insurance (Other Than Real Estate and Group)	.57	.51	.59
Taxes (Other Than Real Estate and Payroll)	.21	.36	.31
Interest (Other Than Real Estate)	.76	1.19	.89
Depreciation (Other Than Real Estate)	.69	.71	.70
Store and Shop Supplies	.19	.11	.43
Legal and Accounting	.25	.21	.25
Computer Services and Expenses (Other Than Wages)	.06	.15	.12
Dues and Subscriptions	.07	.06	.06
Travel, Buying, Entertainment	.12	.27	.21
Miscellaneous Services (Laundry, Disposal, etc.)	.05	.05	.04
Unclassified Expenses	.51	.85	1.60
Total Other Costs of Doing Business	6.80	7.93	8.73
Total Operating Expenses	24.15	24.81	24.75
Operating Profit or Loss	1.65	.10	1.47
Other Income	2.10	1.63	1.56
Net Operating Profit or Loss (Before Income Taxes)	3.75	1.73	3.03

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$537,593	$741,599	$934,628
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.10	3.53	6.22
Notes and Installment Contracts Receivable	.52	.45	2.64
Accounts Receivable	38.24	25.95	24.15
Merchandise Inventory (End of Year)	33.79	40.45	37.54
Other Current Assets	2.79	1.75	2.74
Total Current Assets	80.44	72.13	73.29
Stocks and Bonds	1.24	1.28	1.18
Real Estate (Not Used in Bus.)	1.01	2.44	1.96
Other Investments	1.27	3.92	3.81
Total Investments	3.52	7.65	6.95
Land (Owned and Used in Bus.)	2.25	2.43	2.44
Buildings (Owned and Used in Bus. Less Depre.)	6.70	9.02	6.09
Leasehold Improvements (Less Depre.)	.74	1.30	.98
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.00	4.51	4.88
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.73	1.92	2.49
Other Fixed Assets	1.62	1.05	2.88
Total Fixed Assets	16.04	20.23	19.76
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	13.41	14.38	14.14
Current Portion of Notes Payable	4.87	8.13	8.01
Accrued Payroll Taxes	.54	.31	.70
Accrued Other Taxes	1.32	1.19	1.30
Other Accrued Expenses	1.82	2.12	2.60
Other Current Liabilities	5.13	4.97	6.39
Total Current Liabilities	27.09	31.10	33.14
Notes Due Partners/Officers	2.62	4.77	2.13
Mortgage Payable	1.41	10.11	3.67
Long Term Debt	7.92	10.47	10.30
Other Long Term Liabilities	.11	.81	1.07
Total Long Term Liabilities	12.06	26.16	17.17
Total Liabilities	39.15	57.26	50.31
Net Worth	60.85	42.74	49.69
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	16.73%	10.27%	15.72%
Active Owner's Return	39.36%	26.93%	28.19%
Current Asset Ratio	2.97x	2.32x	2.21x
Quick Asset Ratio	1.72x	1.02x	1.08x
Total Debt to Tangible Net Worth	64.37%	133.96%	101.27%
Stock Turn Times	6.02x	4.78x	5.16x
Sales to Inventory Ratio	8.11x	6.36x	6.98x
Average Inventory per Sq. Ft. Sales Area	$186.88	$112.50	$70.88
Net Sales to Accounts Receivable	7.10x	9.79x	10.68x
Net Sales to Total Assets	2.72x	2.54x	2.58x
Net Sales to Net Worth	4.46x	5.94x	5.19x
Net Sales to Net Working Capital	5.09x	6.19x	6.42x
Other Operating Data			
Credit Sales — % of Total Gross Sales	86.22%	68.59%	53.86%
Consumer Sales — % of Total Gross Sales	50.70%	45.43%	43.72%
Selling Area — Square Feet	1,918	3,725	6,653
Sales Per Square Foot — Selling Area	$984.35	$500.63	$341.53
Total Area — Square Feet	10,468	16,065	24,777
Sales Per Square Foot — Total Area	$151.90	$143.96	$106.55
Sales Per Person Employed	$162,182	$144,741	$145,089
Sales Per Customer	$111.44	$141.63	$61.34

Outlet Location I

Income Statement Data	**Downtown**	**Suburban**	**Rural**
Number of Outlets	97	154	39
Net Sales Volume	$1,248,415	$2,781,786	$1,563,719
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+5.89%	+4.77%	+2.75%
Gross Sales	102.04%	101.76%	103.27%
Less: Total Deductions	2.04	1.76	3.27
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.32	74.39	76.03
Margin Before Purchase Rebate or Patronage Dividend	25.68	25.61	23.97
Purchase Rebate or Patronage Dividend	.13	.14	.02
Margin After Purchase Rebate or Patronage Dividend	25.81	25.75	23.99
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.54	3.03	1.71
Salaries/Wages — Other Employees	9.09	9.22	7.47
Federal and State Payroll Taxes	1.04	.92	.95
Group Insurance	.50	.41	.60
Benefit Plans	.54	.51	.33
Total Payroll and Other Employee Expense	14.71	14.09	11.06
Occupancy Expense			
Heat, Light, Power, Water	.43	.40	.34
Building Repairs and Maintenance	.10	.11	.10
Rent or Ownership in Real Estate**	1.82	1.94	1.09
Total Occupancy Expense	2.35	2.45	1.53
Other Costs of Doing Business			
Advertising and Promotion	1.03	.94	.77
Insurance (Other Than Real Estate or Group)	.71	.58	.48
Taxes (Other Than Real Estate or Payroll)	.34	.31	.20
Interest (Other Than Real Estate)	.81	.88	.94
Depreciation (Other Than Real Estate)	.81	.63	.82
All Other Expenses	3.71	4.21	7.73
Total Other Costs of Doing Business	7.41	7.55	10.94
Total Operating Expenses	24.47	24.09	23.53
Operating Profit or Loss	1.34	1.66	.46
Other Income	1.88	1.67	2.24
Net Operating Profit or Loss (Before Income Taxes)	3.22	3.33	2.70
Financial Performance			
Profit on Investment	12.75%	16.71%	11.15%
Active Owner's Return	26.78%	31.93%	18.22%
Current Asset Ratio	3.03x	2.40x	2.19x
Quick Asset Ratio	1.39x	1.20x	1.03x
Total Debt to Tangible Net Worth	71.46%	81.55%	89.88%
Stock Turn Times	4.40x	5.53x	4.20x
Sales to Inventory Ratio	5.92x	7.44x	5.52x
Average Inventory per Sq. Ft. Sales Area	$68.70	$101.78	$133.58
Net Sales to Accounts Receivable	10.35x	9.33x	8.01x
Net Sales to Total Assets	2.31x	2.77x	2.17x
Net Sales to Net Worth	3.96x	5.02x	4.13x
Net Sales to Net Working Capital	4.63x	6.30x	5.39x
Other Operating Data			
Credit Sales — % of Total Gross Sales	74.07%	71.56%	50.82%
Consumer Sales — % of Total Gross Sales	50.65%	42.44%	42.15%
Selling Area — Square Feet	3,931	4,717	3,527
Sales Per Square Foot — Selling Area	$335.41	$517.97	$458.07
Total Area — Square Feet	13,910	18,537	14,656
Sales Per Square Foot — Total Area	$103.97	$164.72	$103.38
Sales Per Person Employed	$133,868	$131,241	$130,869
Sales Per Customer	$59.39	$93.70	$150.47

*As reported to us by The Profit Report contributors.

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Outlet Location II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Outlets	9	135	147
Net Sales Volume	$1,571,499	$2,397,561	$1,698,072
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+1.78%	+5.68%	+3.87%
Gross Sales	106.44%	102.04%	101.71%
Less: Total Deductions	6.44	2.04	1.71
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.52	74.41	74.29
Margin Before Purchase Rebate or Patronage Dividend	24.48	25.59	25.71
Purchase Rebate or Patronage Dividend	.11	.17	.10
Margin After Purchase Rebate or Patronage Dividend	24.59	25.76	25.81
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.20	2.67	2.84
Salaries/Wages — Other Employees	9.72	8.60	10.01
Federal and State Payroll Taxes	.83	.92	1.08
Group Insurance	.59	.41	.51
Benefit Plans	.64	.51	.47
Total Payroll and Other Employee Expense	14.98	13.11	14.91
Occupancy Expense			
Heat, Light, Power, Water	.53	.38	.45
Building Repairs and Maintenance	.02	.16	.07
Rent or Ownership in Real Estate**	2.81	1.92	1.83
Total Occupancy Expense	3.36	2.46	2.35
Other Costs of Doing Business			
Advertising and Promotion	1.31	.87	1.12
Insurance (Other Than Real Estate and Group)	.81	.59	.64
Taxes (Other Than Real Estate and Payroll)	.49	.33	.28
Interest (Other Than Real Estate)	.65	.90	.93
Depreciation (Other Than Real Estate)	.65	.68	.75
All Other Expenses	3.79	5.17	3.93
Total Other Costs of Doing Business	7.70	8.54	7.65
Total Operating Expenses	26.04	24.11	24.91
Operating Profit or Loss	-1.45	1.65	.90
Other Income	2.75	1.71	1.69
Net Operating Profit or Loss (Before Income Taxes)	1.30	3.36	2.59
Financial Performance			
Profit on Investment	5.13%	14.90%	12.86%
Active Owner's Return	17.88%	26.70%	26.94%
Current Asset Ratio	2.22x	2.57x	2.35x
Quick Asset Ratio	.99x	1.20x	1.12x
Total Debt to Tangible Net Worth	100.05%	70.81%	95.18%
Stock Turn Times	3.29x	4.94x	5.02x
Sales to Inventory Ratio	4.36x	6.64x	6.75x
Average Inventory per Sq. Ft. Sales Area	$44.71	$99.36	$89.61
Net Sales to Accounts Receivable	8.11x	10.24x	9.83x
Net Sales to Total Assets	1.99x	2.59x	2.54x
Net Sales to Net Worth	3.98x	4.42x	4.95x
Net Sales to Net Working Capital	4.47x	5.67x	6.10x
Other Operating Data			
Credit Sales — % Total Gross Sales	75.26%	76.49%	71.15%
Consumer Sales — % of Total Gross Sales	55.75%	43.24%	47.43%
Selling Area — Square Feet	5,153	4,502	4,131
Sales Per Square Foot — Selling Area	$176.53	$480.34	$402.82
Total Area — Square Feet	9,367	18,759	14,731
Sales Per Square Foot — Total Area	$165.25	$123.72	$158.72
Sales Per Person Employed	$19,920	$146,717	$147,399
Sales Per Customer	$24.00	$90.48	$77.55

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Trade Area Size

Income Statement Data	**Metropolitan Statistical Areas**	**Cities 10,000 To 50,000 Pop.**	**Towns Under 10,000 Pop.**
Number of Outlets	55	65	186
Net Sales Volume	$2,925,204	$2,455,743	$1,693,431
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+7.82%	+7.05%	+2.71%
Gross Sales	100.90%	103.40%	101.92%
Less: Total Deductions	.90	3.40	1.92
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.49	72.85	75.35
Margin Before Purchase Rebate or Patronage Dividend	25.51	27.15	24.65
Purchase Rebate or Patronage Dividend	.03	.22	.16
Margin After Purchase Rebate or Patronage Dividend	25.54	27.37	24.81
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.21	2.53	2.58
Salaries/Wages — Other Employees	7.85	9.82	9.27
Federal and State Payroll Taxes	.85	.94	1.03
Group Insurance	.36	.44	.52
Benefit Plans	.68	.57	.38
Total Payroll and Other Employee Expense	13.95	14.30	13.78
Occupancy Expense			
Heat, Light, Power, Water	.29	.47	.43
Building Repairs and Maintenance	.05	.18	.11
Rent or Ownership in Real Estate**	1.44	2.75	1.58
Total Occupancy Expense	1.78	3.40	2.12
Other Costs of Doing Business			
Advertising and Promotion	.96	.90	.97
Insurance (Other Than Real Estate or Group)	.43	.61	.67
Taxes (Other Than Real Estate or Payroll)	.22	.32	.33
Interest (Other Than Real Estate)	.63	1.41	.77
Depreciation (Other Than Real Estate)	.50	.64	.84
All Other Expenses	4.72	5.06	4.07
Total Other Costs of Doing Business	7.46	8.94	7.65
Total Operating Expenses	23.19	26.64	23.55
Operating Profit or Loss	2.35	.73	1.26
Other Income	1.62	2.36	1.63
Net Operating Profit or Loss (Before Income Taxes)	3.97	3.09	2.89
Financial Performance			
Profit on Investment	19.81%	15.54%	12.30%
Active Owner's Return	40.86%	28.41%	23.27%
Current Asset Ratio	2.46x	2.57x	2.50x
Quick Asset Ratio	1.49x	1.22x	1.11x
Total Debt to Tangible Net Worth	73.51%	109.98%	69.97%
Stock Turn Times	7.09x	4.66x	4.58x
Sales to Inventory Ratio	9.52x	6.40x	6.07x
Average Inventory per Sq. Ft. Sales Area	$97.95	$101.86	$87.19
Net Sales to Accounts Receivable	7.99x	9.08x	10.52x
Net Sales to Total Assets	2.88x	2.40x	2.50x
Net Sales to Net Worth	5.00x	5.05x	4.26x
Net Sales to Net Working Capital	6.39x	5.36x	5.54x
Other Operating Data			
Credit Sales — % of Total Gross Sales	63.62%	76.90%	71.02%
Consumer Sales — % of Total Gross Sales	35.69%	38.78%	50.82%
Selling Area — Square Feet	5,003	4,664	3,907
Sales Per Square Foot — Selling Area	$525.27	$495.83	$398.05
Total Area — Square Feet	26,303	14,227	13,796
Sales Per Square Foot — Total Area	$131.48	$173.08	$125.70
Sales Per Person Employed	$185,359	$136,033	$112,457
Sales Per Customer	$94.52	$132.53	$67.58

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Number of Outlets

Income Statement Data	Single Outlets	2 To 4 Outlets	5 To 10 Outlets	11 or More Outlets
Number of Outlets	181	54	37	36
Net Sales Volume	$1,895,842	$3,698,296	$2,141,775	$426,789
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.27%	+5.04%	+11.92%	-1.96%
Gross Sales	102.06%	102.12%	101.03%	105.16%
Less: Total Deductions	2.06	2.12	1.03	5.16
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.34	74.00	72.75	71.07
Margin Before Purchase Rebate or Patronage Dividend	24.66	26.00	27.25	28.93
Purchase Rebate or Patronage Dividend	.16	.10	.20	.00
Margin After Purchase Rebate or Patronage Dividend	24.82	26.10	27.45	28.93
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	2.68	3.27	3.19	5.04
Salaries/Wages — Other Employees	9.15	8.20	10.24	11.82
Federal and State Payroll Taxes	.96	.83	1.22	1.43
Group Insurance	.49	.34	.48	1.28
Benefit Plans	.51	.46	.58	.67
Total Payroll and Other Employee Expense	13.79	13.10	15.71	20.24
Occupancy Expense				
Heat, Light, Power, Water	.41	.32	.53	.74
Building Repairs and Maintenance	.12	.09	.10	.23
Rent or Ownership in Real Estate**	1.51	2.00	2.88	1.62
Total Occupancy Expense	2.04	2.41	3.51	2.59
Other Costs of Doing Business				
Advertising and Promotion	.96	.62	1.74	1.20
Insurance (Other Than Real Estate or Group)	.71	.51	.32	.56
Taxes (Other Than Real Estate or Payroll)	.39	.22	.21	.06
Interest (Other Than Real Estate)	1.02	.87	.62	.14
Depreciation (Other Than Real Estate)	.77	.65	.54	.70
All Other Expenses	4.02	5.51	3.98	3.96
Total Other Costs of Doing Business	7.87	8.38	7.41	6.62
Total Operating Expenses	23.70	23.89	26.63	29.44
Operating Profit or Loss	1.12	2.21	.82	-.51
Other Income	1.93	1.78	1.25	2.49
Net Operating Profit or Loss (Before Income Taxes)	3.05	3.99	2.07	1.98

Financial Performance

Profit on Investment	13.05%	18.69%	20.38%	4.38%
Active Owner's Return	24.51%	34.00%	51.82%	15.46%
Current Asset Ratio	2.69x	2.35x	1.71x	8.55x
Quick Asset Ratio	1.27x	1.32x	.71x	2.86x
Total Debt to Tangible Net Worth	81.55%	64.02%	219.16%	10.67%
Stock Turn Times	4.56x	6.29x	5.73x	2.85x
Sales to Inventory Ratio	6.05x	8.50x	7.88x	4.00x
Average Inventory Per Sq. Ft. Sales Area	$64.58	$207.63	$348.04	$49.84
Net Sales to Accounts Receivable	9.62x	8.11x	12.24x	13.67x
Net Sales to Total Assets	2.36x	2.86x	3.09x	1.99x
Net Sales to Net Worth	4.28x	4.69x	9.86x	2.20x
Net Sales to Net Working Capital	5.00x	6.40x	11.13x	2.98x

Other Operating Data

Credit Sales — % of Total Gross Sales	66.05%	82.75%	45.67%	83.43%
Consumer Sales — % of Total Gross Sales	44.93%	30.15%	51.38%	65.00%
Selling Area — Square Feet	4,487	4,611	5,245	2,139
Sales per Square Foot — Selling Area	$404.18	$839.03	$433.61	$199.54
Total Area — Square Feet	13,821	20,148	32,946	9,722
Sales per Square Foot — Total Area	$140.17	$156.61	$79.60	$43.90
Sales per Person Employed	$114,174	$173,356	$149,520	$94,842
Sales per Customer	$70.55	$283.79	$59.61	$33.03

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Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	158	134
Net Sales Volume	$2,848,952	$1,167,237
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+ 5.17%	+ 3.68%
Gross Sales	102.01%	$101.99%
Less: Total Deductions	2.01	1.99
Net Sales	100.00%	100.00%
Cost of Goods Sold	74.81	73.62
Margin Before Purchase Rebate or Patronage Dividend	25.19	26.38
Purchase Rebate or Patronage Dividend	.12	.18
Margin After Purchase Rebate or Patronage Dividend	25.31	26.56
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.81	3.50
Salaries/Wages — Other Employees	8.90	9.45
Federal and State Payroll Taxes	.91	1.08
Group Insurance	.43	.51
Benefit Plans	.54	.40
Total Payroll and Other Employee Expense	13.59	14.94
Occupancy Expense		
Heat, Light, Power, Water	.36	.49
Building Repairs and Maintenance	.10	.15
Rent or Ownership in Real Estate**	1.79	1.96
Total Occupancy Expense	2.25	2.60
Other Costs of Doing Business		
Advertising and Promotion	.81	1.39
Insurance (Other Than Real Estate or Group)	.57	.62
Taxes (Other Than Real Estate or Payroll)	.26	.42
Interest (Other Than Real Estate)	.91	.58
Depreciation (Other Than Real Estate)	.68	.73
All Other Expenses	4.81	3.72
Total Other Costs of Doing Business	8.04	7.46
Total Operating Expenses	23.88	25.00
Operating Profit or Loss	1.43	1.56
Other Income	1.95	1.56
Net Operating Profit or Loss (Before Income Taxes)	3.38	3.12
Financial Performance		
Profit on Investment	16.76%	11.93%
Active Owner's Return	30.69%	25.31%
Current Asset Ratio	2.33x	3.05x
Quick Asset Ratio	1.26x	1.17x
Total Debt to Tangible Net Worth	81.02%	67.56%
Stock Turn Times	5.90x	3.88x
Sales to Inventory Ratio	7.88x	5.27x
Average Inventory Per Sq. Ft. Sales Area	$96.22	$82.98
Net Sales to Accounts Receivable	8.17x	15.16x
Net Sales to Total Assets	2.74x	2.28x
Net Sales to Net Worth	4.96x	3.82x
Net Sales to Net Working Capital	6.27x	4.74x
Other Operating Data		
Credit Sales — % of Total Gross Sales	74.60%	55.15%
Consumer Sales — % of Total Gross Sales	29.15%	64.75%
Selling Area — Square Feet	4,598	3,938
Sales per Square Foot — Selling Area	$555.62	$277.87
Total Area — Square Feet	18,310	13,964
Sales per Square Foot — Total Area	$168.34	$81.33
Sales per Person Employed	$130,513	$132,072
Sales per Customer	$119.14	$39.93

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Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contribution

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of sales area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building materials outlet carrying only these departments.

As an example, a lumber/building materials outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	= 59.1%

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space and inventory.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.64 which means $1.64 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	% Handling	Handling Firms Only % of Net Sales	% of Sales Floor*	% of Inventory	$ Sales Per Sq. Ft. Sales Area	Average Outlet Profile % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	7.8	21.0	10.3	136.03	7.8	21.0	10.3
Hand Tools	89.5	2.9	6.7	5.0	126.86	2.4	5.1	3.5
Power Tools & Accessories	80.4	2.1	4.4	3.1	157.69	1.5	3.1	1.9
Plumbing, Heating and Cooling	85.6	4.5	10.2	6.0	156.64	3.8	7.5	4.3
Electrical Supplies	85.6	3.0	7.3	4.5	149.06	2.4	5.5	3.1
Paint & Home Decorating	96.1	6.7	13.3	9.3	172.86	6.2	11.2	7.7
Lumber	100.0	34.5	15.3	31.8	986.83	34.5	15.3	31.8
Building Materials	100.0	31.4	17.6	32.8	719.64	31.4	17.6	32.8
Lawn & Garden	56.9	3.0	8.4	3.4	130.32	1.6	4.8	1.5
Housewares	20.3	2.2	4.6	1.6	95.61	.4	.8	.3
Automotive Supplies	13.1	1.1	3.2	1.9	98.13	.1	.3	.2
Major Appliances & Home Entertainment	11.8	4.0	5.9	3.4	116.51	.5	.6	.2
Sporting Goods & Outdoor Living	10.5	7.4	4.1	2.9	—	.8	.2	.2
Miscellaneous Goods	60.1	11.3	18.3	5.2	161.27	6.6	7.0	2.2
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sales To Inventory Ratio X	Gross Margin Return On Inventory (GMROI) $
Hardware	37.7	3.8	1.43
Hand Tools	34.8	4.1	1.44
Power Tools & Accessories	31.0	4.1	1.28
Plumbing, Heating & Cooling	34.3	3.9	1.32
Electrical Supplies	35.7	3.7	1.32
Paint & Home Decorating	34.7	4.2	1.45
Lumber	23.8	7.3	1.73
Building Materials	26.4	7.5	1.98
Lawn & Garden	33.3	4.9	1.64
Housewares	32.7	3.7	1.21
Automotive Supplies	28.6	3.0	.87
Major Appliances & Home Entertainment	20.4	4.7	.96
Sporting Goods & Outdoor Living	——	——	——
Miscellaneous Goods	28.1	6.3	1.76

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment, gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

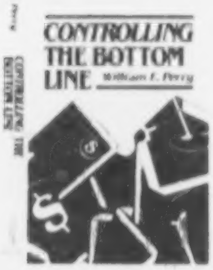
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.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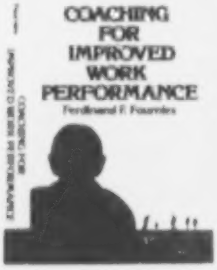
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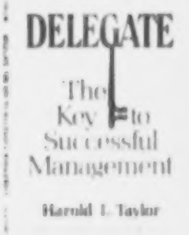
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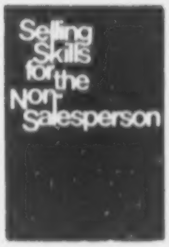
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THE 1987
MANAGEMENT REPORT

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August 31, 1987

To Retailers Serving Do-It-Yourself Consumers:

Every year National Retail Hardware Association undertakes a major research project that provides details on the innermost workings of stores just like yours.

The results give margin and expense figures that allow any retailer to compare his own store with stores like his, and find the areas that hold the most opportunity to increase profit and return on investment.

Again this year the association has completed this project with research among three different types of "do-it-yourself" retailer outlets--hardware stores, home centers, and lumber-building material outlets.

Fortunately, ours is not an industry with extreme annual fluctuations in store performance. However, there are continual changes that provide an "early warning" to the direction in which our industry is moving.

On an individual store basis, it is most important that these reports allow you to see how well you are doing in comparisons with other stores, to see where your performance ranks in the whole spectrum of stores like yours.

It is not enough to be "better than average" in an industry where average performance is unacceptable. Look at figures in comparison with the "high profit" stores, and see if you are in this category.

If not, by examining the comparative figures in detail you can spot those areas where improved performance can best improve profitability and return on investment.

If you provided financial data to NRHA to support this study, you have already received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If you did not take part this year, plan to do so in 1988 to get this helpful report.

NRHA is deeply indebted to all retailers who provided the information that makes this study possible.

Very truly yours,

DAVID LOVING
Managing Director

DL/dc

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Prepared By:

Marketing Research Department

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Introduction

The Management Report

The 1987 Management Report presents financial operating data for retail hardware operations. The Report is designed to fulfill several objectives:

- To assess financial performance of retail hardware stores in 1986
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Management Report is divided into four major sections: Historical Trends for 1982 through 1986; The Strategic Profit Model; Average Operating Results for 1986; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provide us with detailed information on their operations. Mail questionnaires were sent to hardware store operators in February, 1987. Seven hundred and eighty-seven usable returns were received by June 15, 1987 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Management Report for Hardware Stores are The Bottom Line for Home Centers and The Profit Report for DIY Lumber Outlets.

For Assistance

Assistance and aid in interpreting The 1987 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association.

Historical Trends

ALL HARDWARE STORES
FISCAL YEAR

Income Statement Data	1986	1985	1984	1983	1982
Net Sales Volume	$682,263	$645,939	$616,017	$567,212	$545,194
Gross Sales	101.96%	102.13%	102.14%	102.19%	102.33%
Less: Total Deductions	1.96	2.13	2.14	2.19	2.33
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.08	65.69	67.00	65.66	65.55
Margin Before Purchase Rebate or Patronage Dividend	34.92	34.31	33.00	34.34	34.45
Purchase Rebate or Patronage Dividend	1.14	1.05	1.04	1.14	1.15
Margin After Purchase Rebate or Patronage Dividend	36.06	35.36	34.04	35.48	35.60
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	4.42	4.43	4.93	5.58	5.58
Salaries/Wages — Other Employees	12.44	11.69	11.01	11.60	11.55
Federal and State Payroll Taxes	1.41	1.58	1.39	1.34	1.29
Group Insurance	.64	.66	.66	.70	.61
Benefit Plans	.46	.39	.43	.47	.40
Total Payroll and Other Employee Expense	19.37	18.75	18.42	19.69	19.43
Occupancy Expense					
Heat, Light, Power, Water	1.15	1.13	1.17	1.19	1.21
Building Repairs and Maintenance	.30	.16	.25	.31	.15
Rent or Ownership in Real Estate**	3.80	3.85	3.53	3.76	3.72
Total Occupancy Expense	5.25	5.14	4.95	5.26	5.08
Other Costs of Doing Business					
Advertising and Promotion	2.50	2.53	2.28	2.38	2.30
Insurance (Other than Real Estate or Group)	.89	.72	.64	.71	.80
Taxes (Other than Real Estate and Payroll)	.57	.43	.31	.33	.38
Interest (Other than Real Estate)	1.32	1.40	1.53	1.42	1.73
Depreciation (Other than Real Estate)	.99	.98	.94	.88	.84
All Other Expenses	3.76	3.88	3.57	3.59	3.66
Total Other Costs of Doing Business	10.04	9.94	9.27	9.31	9.71
Total Operating Expenses	34.65	33.83	32.64	34.26	34.22
Operating Profit or Loss	1.41	1.53	1.40	1.22	1.38
Other Income	1.68	1.55	1.50	1.51	1.43
Net Operating Profit or Loss (Before Income Taxes)	3.09	3.08	2.90	2.73	2.81

Financial Performance

	1986	1985	1984	1983	1982
Profit on Investment	11.76%	12.10%	11.08%	9.76%	10.57%
Active Owner's Return	28.58%	29.50%	29.28%	29.73%	31.56%
Current Asset Ratio	3.39x	3.44x	3.49x	3.52x	3.55x
Quick Asset Ratio	.91x	1.00x	1.03x	1.01x	.99x
Total Debt to Tangible Net Worth	90.91%	93.19%	93.57%	85.75%	89.64%
Stock Turn Times	2.45x	2.49x	2.59x	2.40x	2.43x
Sales to Inventory Ratio	3.77x	3.79x	3.87x	3.66x	3.70x
Average Inventory per Sq. Ft. Sales Area	$28.00	$29.82	$13.14	$27.23	$26.00
Net Sales to Accounts Receivable	21.09x	20.65x	18.49x	19.58x	21.43x
Net Sales to Total Assets	1.99x	2.03x	1.98x	1.92x	1.99x
Net Sales to Net Worth	3.81x	3.92x	3.83x	3.58x	3.76x
Net Sales to Net Working Capital	2.80x	3.76x	3.75x	3.60x	3.63x

Other Operating Data

	1986	1985	1984	1983	1982
Credit Sales — % of Total Gross Sales	31.27%	28.02%	31.86%	31.57%	26.74%
Consumer Sales — % of Total Gross Sales	74.39%	76.73%	78.13%	81.70%	83.17%
Selling Area — Square Feet	5,827	6,177	6,161	6,109	6,274
Sales Per Square Foot — Selling Area	$105.34	$106.76	$111.73	$92.84	$86.90
Total Area — Square Feet	9,059	9,009	9,341	9,059	8,915
Sales Per Square Foot — Total Area	$67.11	$73.58	$74.05	$62.62	$61.15
Sales Per Person Employed	$75,418	$69,108	$61,530	$61,196	$60,825
Sales Per Customer	$9.64	$9.83	$11.01	$9.59	$8.83

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

Figures may not add to totals indicated because of rounding.

Historical Trends

	Percent of Net Sales**					Sales Per Square Foot				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	14.9%	16.5%	17.5%	18.1%	19.7%	$108.36	$ 99.85	$110.73	$101.24	$99.54
Hand Tools	6.1	7.0	6.7	6.8	5.2	129.07	100.26	121.24	84.41	77.88
Power Tools & Accessories	4.7	4.5	4.7	4.8	3.0	132.05	114.49	104.13	89.50	79.01
Plumbing, Heating & Cooling	12.9	13.5	12.8	12.7	11.0	121.70	111.53	137.57	91.84	89.38
Electrical Supplies	9.5	10.4	9.6	9.5	7.6	134.72	118.68	147.41	106.62	94.39
Paint & Home Decorating	12.5	11.0	11.2	11.1	11.8	132.89	114.19	124.60	101.10	86.92
Lumber	.8	1.1	.7	1.0	.6	125.18	108.69	63.65	132.90	125.42
Building Materials	1.5	1.9	1.3	1.6	2.0	135.44	106.39	95.93	140.84	92.33
Lawn & Garden	13.4	11.0	10.2	9.5	11.3	114.89	115.59	115.65	81.95	92.66
Housewares	7.4	7.3	7.6	8.5	9.8	76.58	71.47	71.16	73.78	64.89
Automotive Supplies	2.5	2.8	2.8	2.5	2.6	84.24	102.15	146.70	100.72	85.07
Major Appliances & Home Entertainment	2.3	3.2	2.3	3.1	3.2	143.55	123.34	113.88	29.41	106.30
Sporting Goods & Outdoor Living	3.3	3.2	3.3	4.1	4.5	78.75	89.07	87.56	93.69	98.99
Miscellaneous Goods	8.2	6.6	9.8	6.7	7.7	107.42	109.58	127.92	78.37	97.90

	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	3.6x	3.2x	3.6x	3.4x	3.6x	$1.66	$1.41	$1.53	$1.47	$1.57
Hand Tools	3.8	3.5	3.9	3.5	3.8	1.47	1.36	1.47	1.26	1.41
Power Tools & Accessories	3.4	3.8	3.2	3.5	3.8	.93	1.14	.98	1.13	1.30
Plumbing, Heating & Cooling	4.4	4.6	4.5	4.0	3.9	1.98	1.98	1.85	1.65	1.63
Electrical Supplies	4.6	4.5	4.6	4.1	4.0	1.97	1.86	1.85	1.70	1.65
Paint & Home Decorating	4.5	4.6	4.2	5.3	3.9	1.80	1.79	1.57	2.04	1.55
Lumber	5.3	3.5	2.6	3.1	3.0	.78	.99	.72	1.03	1.07
Building Materials	5.7	4.0	2.7	3.8	3.0	1.41	1.38	.89	1.39	1.18
Lawn & Garden	4.7	4.6	4.0	3.9	4.3	1.66	1.66	1.40	1.37	1.48
Housewares	3.5	3.6	3.0	2.9	3.1	1.23	1.25	1.03	.99	1.13
Automotive Supplies	3.1	3.9	4.4	4.1	3.8	1.09	1.39	1.50	1.33	1.38
Major Appliances & Home Entertainment	4.1	4.1	3.5	3.5	3.8	.72	1.03	.88	.83	1.01
Sporting Goods & Outdoor Living	3.2	3.6	3.1	3.3	3.2	1.00	1.15	.96	1.10	1.10
Miscellaneous Goods	3.1	4.0	4.6	3.5	4.2	1.06	1.41	1.57	1.30	1.45

**Average Hardware store

Monthly Sales

Month	1986	1985	1984	1983	1982
January	6.3	6.5	6.4	6.0	6.6
February	5.7	5.8	5.8	5.5	5.8
March	7.4	7.1	6.8	6.7	7.2
April	8.9	8.9	8.4	8.2	8.6
May	9.9	9.8	9.9	9.6	10.0
June	9.2	9.3	10.1	9.7	9.1
July	8.9	8.9	8.7	9.0	8.9
August	8.6	8.7	8.5	8.6	8.2
September	8.0	8.0	8.1	8.2	8.1
October	8.5	8.5	8.4	8.4	8.5
November	8.6	8.6	8.6	8.6	8.4
December	10.0	9.9	10.3	11.5	10.6

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

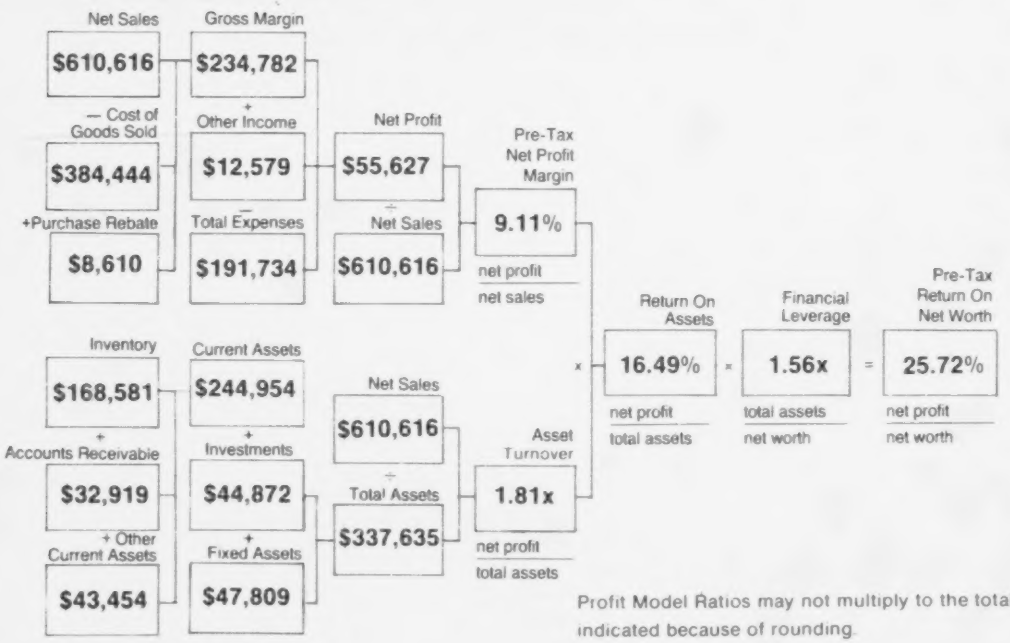
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores


Net Sales
$610,616
— Cost of Goods Sold
$384,444
+Purchase Rebate
$8,610
Gross Margin
$234,782
+
Other Income
$12,579
—
Total Expenses
$191,734
Net Profit
$55,627
÷
Net Sales
$610,616
Pre-Tax Net Profit Margin
9.11%
net profit
net sales
Inventory
$168,581
+
Accounts Receivable
$32,919
+ Other Current Assets
$43,454
Current Assets
$244,954
+
Investments
$44,872
+
Fixed Assets
$47,809
Net Sales
$610,616
÷
Total Assets
$337,635
Asset Turnover
1.81x
net profit
total assets
x
Return On Assets
16.49%
net profit
total assets
x
Financial Leverage
1.56x
total assets
net worth
=
Pre-Tax Return On Net Worth
25.72%
net profit
net worth

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of Hardware Store	1986 Net Sales ($)	Sales Increase Over 1985* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Hardware Stores	682,263	+4.29	36.06	3.09	11.76	2.45
Low Profit	454,995	- .71	34.07	-4.14	-20.02	2.02
High Profit	610,616	+4.94	38.45	9.11	25.77	2.33
Sales Volume Size						
Under $250,000	167,881	-2.58	35.75	.19	.45	1.53
$250,000 to $499,999	361,299	+2.84	36.75	2.90	10.37	1.96
$500,000 to $749,999	604,492	+2.99	35.85	2.49	9.97	2.42
$750,000 or more	1,300,320	+5.39	35.95	3.51	13.91	2.75
Sales Floor Size						
Under 3,000 Sq. Ft.	295,954	+ .01	35.40	2.51	7.38	2.27
3,000 to 4,999 Sq. Ft.	420,571	+4.75	36.46	4.62	15.44	2.28
5,000 to 9,999 Sq. Ft.	709,515	+5.17	36.40	3.32	12.94	2.50
10,000 Sq. Ft. or more	1,430,087	+3.27	36.38	2.52	10.27	2.53
Type of Ownership						
Proprietorship	321,564	+4.66	34.43	3.92	11.94	2.14
Partnership	456,956	+6.98	35.74	3.82	12.28	2.01
Corporation	788,508	+4.08	36.31	3.05	11.93	2.52
Trade Area Size						
M.S.A.-Central City	863,028	+4.11	40.28	3.34	13.88	2.93
M.S.A.-Suburban	816,458	-2.22	35.41	1.80	6.09	2.25
Cities-10,000-50,000	801,431	+3.58	37.40	3.26	12.64	2.45
Rural Areas Under 10,000	576,324	+5.79	34.06	3.25	12.12	2.39
Store Location: Part I						
Downtown	590,077	+2.44	35.66	2.94	9.98	2.32
Suburban	837,608	+5.01	37.13	3.14	12.99	2.57
Rural	592,861	+7.96	34.48	3.65	14.84	2.52
Store Location: Part II						
Shopping Center—Neighborhood	694,602	+6.50	37.69	3.03	13.01	2.44
Shopping Center—Community or Regional	723,163	+5.39	37.32	3.51	13.85	2.52
Free-Standing—No Stores Adjacent	815,020	+4.68	36.43	3.61	13.72	2.60
Free-Standing—Stores Nearby	649,208	+3.35	35.50	2.91	10.79	2.41
Number of Stores						
Single Store Business	667,316	+3.77	35.81	3.12	11.49	2.43
Multiple Store Business	787,354	+7.24	37.55	2.91	13.88	2.56

*As Reported by The Management Report Contributors

Monthly Sales

	%		%		%
January	6.3	May	9.9	September	8.0
February	5.7	June	9.2	October	8.5
March	7.4	July	8.9	November	8.6
April	8.9	August	8.6	December	10.0

All Stores

Income Statement Data	**All Hardware Stores**	**Low† Profit Stores**	**High†† Profit Stores**
Number of Stores	787	182	198
Net Sales Volume	$682,263	$454,995	$610,616
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+4.29%	- .71%	+4.94%
Gross Sales	101.96%	101.81%	101.91%
Less: Total Deductions	1.96	1.81	1.91
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.08	66.91	62.96
Margin Before Purchase Rebate or Patronage Dividend	34.92	33.09	37.04
Purchase Rebate or Patronage Dividend	1.14	.98	1.41
Margin After Purchase Rebate or Patronage Dividend	36.06	34.07	38.45
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.42	4.78	4.18
Salaries/Wages — Other Employees	12.44	13.01	11.11
Federal and State Payroll Taxes	1.41	1.57	1.31
Group Insurance	.64	.86	.62
Benefit Plans	.46	.17	.49
Total Payroll and Other Employee Expense	19.37	20.39	17.71
Occupancy Expense			
Heat, Light, Power, Water	1.15	1.47	1.09
Building Repairs and Maintenance	.30	.24	.26
Rent or Ownership in Real Estate**	3.80	4.66	3.48
Total Occupancy Expense	5.25	6.37	4.83
Other Costs of Doing Business			
Office Supplies and Postage	.47	.77	.45
Advertising and Promotion	2.50	2.95	2.09
Donations	.09	.08	.08
Telephone and Telegraph	.33	.43	.33
Bad Debts	.19	.19	.18
Credit Card Expense (Bank Charges)	.17	.14	.14
Delivery Expenses (Other than Wages)	.38	.51	.38
Leasing Expenses (Non-Occupancy)	.10	.10	.11
Insurance (Other than Real Estate and Group)	.89	1.08	.88
Taxes (Other than Real Estate and Payroll)	.57	.62	.56
Interest (Other than Real Estate)	1.32	2.22	.94
Depreciation (Other than Real Estate)	.99	1.30	.89
Store and Shop Supplies	.48	.53	.42
Legal and Accounting	.44	.51	.47
Computer Services and Expenses (Other than Wages)	.10	.09	.07
Dues and Subscriptions	.09	.11	.09
Travel, Buying, Entertainment	.23	.23	.21
Miscellaneous Services (Laundry, Disposal, Etc.)	.14	.21	.13
Unclassified Expenses	.55	.62	.46
Total Other Costs of Doing Business	10.04	12.70	8.87
Total Operating Expenses	34.65	39.47	31.40
Operating Profit or Loss	1.41	-5.40	7.05
Other Income	1.68	1.26	2.06
Net Operating Profit or Loss (Before Income Taxes)	3.09	-4.14	9.11

* As reported to us by The Management Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

† Defined as the bottom twenty-five percent of all contributors based on Net Profit

†† Defined as the top twenty-five percent of all contributors based on Net Profit

Figures may not add to totals indicated because of rounding

All Stores

Balance Sheet Data	**All Hardware Stores**	**Low† Profit Stores**	**High†† Profit Stores**
Total Dollar Assets	$342,216	$264,834	$337,635
	% of Total Assets		
Assets			
Cash On Hand and In Bank	6.42	3.69	8.81
Notes and Installment Contracts Receivable	1.31	.62	1.66
Accounts Receivable	9.45	8.73	9.75
Merchandise Inventory (End of Year)	53.90	57.07	49.93
Other Current Assets	2.20	1.27	2.40
Total Current Assets	73.28	71.39	72.55
Stocks and Bonds	5.32	6.51	4.99
Real Estate (Not Used In Business)	.51	.61	.90
Other Investments	6.15	3.87	7.40
Total Investments	11.98	10.99	13.29
Land (Owned and Used In Business)	1.82	2.56	1.76
Buildings (Owned and Used in Business Less Depreciation)	4.98	7.08	5.36
Leasehold Improvements (Less Amortization Allowance)	1.15	.55	.83
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.48	5.76	3.36
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.13	1.09	1.18
Other Fixed Assets	1.18	.57	1.67
Total Fixed Assets	14.74	17.62	14.16
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.25	12.30	8.26
Current Portion of Notes Payable	6.01	10.11	3.59
Accrued Payroll Taxes	.60	.58	.62
Accrued Other Taxes	1.16	1.05	1.21
Other Accrued Expenses	1.37	1.11	.92
Other Current Liabilities	2.20	2.74	1.38
Total Current Liabilities	21.59	27.88	15.98
Notes Due Partners/Officers	7.01	9.92	5.72
Mortgage Payable	3.43	5.07	2.99
Long Term Debt	14.54	19.88	10.72
Other Long Term Liabilities	1.05	1.74	.65
Total Long Term Liabilities	26.03	36.61	20.08
Total Liabilities	47.62	64.49	36.05
Net Worth	52.38	35.51	63.95
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	11.76%	-20.02%	25.77%
Active Owner's Return	28.58%	3.13%	37.60%
Current Asset Ratio	3.39x	2.56x	4.54x
Quick Asset Ratio	.91x	.53x	1.42x
Total Debt to Tangible Net Worth	90.91%	181.59%	56.38%
Stock Turn Times	2.45x	2.02x	2.33x
Sales to Inventory Ratio	3.77x	3.02x	3.71x
Average Inventory per Sq. Ft. Sales Area	$28.00	$26.59	$28.86
Net Sales to Accounts Receivable	21.09x	19.67x	18.54x
Net Sales to Total Assets	1.99x	1.72x	1.81x
Net Sales to Net Worth	3.81x	4.84x	2.83x
Net Sales to Net Working Capital	2.80x	2.50x	2.54x

Other Operating Data

Credit Sales — % of Total Gross Sales	31.27%	32.14%	35.49%
Consumer Sales — % of Total Gross Sales	74.39%	74.33%	72.23%
Selling Area — Square Feet	5,827	4,639	5,071
Sales Per Square Foot — Selling Area	$105.34	$82.50	$105.11
Total Area — Square Feet	9,059	6,900	7,903
Sales Per Square Foot — Total Area	$67.11	$56.58	$66.99
Sales Per Person Employed	$75,418	$67,138	$74,355
Sales Per Customer	$9.64	$8.58	$7.22

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Number of Stores	126	246	162	253
Net Sales Volume	$167,881	$361,299	$604,492	$1,300,320
Current Year's Sales vs. Previous Year (1986 vs 1985)*	-2.58%	+2.84%	+2.99%	+5.39%
Gross Sales	101.45%	101.71%	101.80%	102.11%
Less: Total Deductions	1.45	1.71	1.80	2.11
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.22	64.19	65.33	65.24
Margin Before Purchase Rebate or Patronage Dividend	34.78	35.81	34.67	34.76
Purchase Rebate or Patronage Dividend	.97	.95	1.18	1.19
Margin After Purchase Rebate or Patronage Dividend	35.75	36.75	35.85	35.95
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.54	5.06	4.65	4.10
Salaries/Wages — Other Employees	10.06	11.08	12.36	12.99
Federal and State Payroll Taxes	1.15	1.41	1.49	1.40
Group Insurance	.67	.67	.64	.63
Benefit Plans	.11	.27	.18	.61
Total Payroll and Other Employee Expense	17.54	18.49	19.32	19.73
Occupancy Expense				
Heat, Light, Power, Water	1.95	1.38	1.22	1.02
Building Repairs and Maintenance	.31	.24	.22	.34
Rent or Ownership in Real Estate**	5.11	4.38	3.91	3.51
Total Occupancy Expenses	7.36	6.02	5.34	4.87
Other Costs of Doing Business				
Office Supplies and Postage	.63	.58	.51	.43
Advertising and Promotion	2.73	2.50	2.57	2.47
Donations	.08	.09	.05	.10
Telephone and Telegraph	.46	.42	.36	.28
Bad Debts	.21	.14	.17	.20
Credit Card Expense (Bank Charges)	.14	.13	.18	.18
Delivery Expenses (Other than Wages)	.65	.48	.43	.32
Leasing Expenses (Non-Occupancy)	.10	.12	.15	.07
Insurance (Other than Real Estate and Group)	1.32	1.04	.91	.82
Taxes (Other than Real Estate and Payroll)	.68	.60	.53	.56
Interest (Other than Real Estate)	2.26	1.66	1.57	1.09
Depreciation (Other than Real Estate)	1.34	1.16	1.12	.89
Store and Shop Supplies	.56	.55	.48	.46
Legal and Accounting	.63	.52	.53	.38
Computer Services and Expenses (Other than Wages)	.05	.04	.08	.13
Dues and Subscriptions	.14	.10	.12	.08
Travel, Buying, Entertainment	.23	.28	.22	.22
Miscellaneous Services (Laundry, Disposal, etc.)	.18	.14	.12	.14
Unclassified Expenses	.74	.59	.46	.56
Total Other Costs of Doing Business	13.14	11.15	10.54	9.39
Total Operating Expenses	38.04	35.65	35.20	34.00
Operating Profit or Loss	-2.29	1.10	.64	1.96
Other Income	2.48	1.80	1.84	1.55
Net Operating Profit or Loss (Before Income Taxes)	.19	2.90	2.49	3.51

*As reported to us by The Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

Figures may not add to totals indicated because of rounding

Sales Volume Size

Balance Sheet Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Total Dollar Assets	$140,878	$202,237	$299,821	$605,740
	% of Total Assets			
Assets				
Cash On Hand and In Bank	5.15	6.96	7.76	5.97
Notes and Installment Contracts Receivable	-.14	1.50	1.37	1.39
Accounts Receivable	5.64	7.62	10.11	10.28
Merchandise Inventory (End of Year)	51.87	59.32	55.07	52.00
Other Current Assets	.87	1.29	2.47	2.56
Total Current Assets	63.39	76.69	76.78	72.22
Stocks and Bonds	8.45	5.26	5.52	4.91
Real Estate (Not Used in Business)	1.87	.65	.49	.32
Other Investments	2.95	4.56	4.98	7.40
Total Investments	13.27	10.47	10.99	12.63
Land (Owned and Used in Business)	3.15	1.29	1.83	1.83
Building (Owned and Used in Bus. Less Depre.)	12.02	4.27	3.72	4.79
Leasehold Improvements (Less Amortization Allowance)	.58	.63	.63	1.56
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	5.83	4.45	4.04	4.47
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.27	1.19	1.27	1.05
Other Fixed Assets	.48	1.01	.74	1.46
Total Fixed Assets	23.34	12.84	12.23	15.15
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	5.29	9.53	9.90	11.16
Current Portion of Notes Payable	6.97	6.12	5.93	5.88
Accrued Payroll Taxes	.41	.71	.69	.57
Accrued Other Taxes	.88	.99	1.13	1.25
Other Accrued Expenses	.61	.73	.83	1.84
Other Current Liabilities	2.42	1.83	1.80	2.42
Total Current Liabilities	16.58	19.93	20.27	23.13
Notes Due Partners/Officers	9.37	9.73	8.14	5.50
Mortgage Payable	8.85	3.88	2.87	2.84
Long Term Debt	14.49	14.21	17.23	13.80
Other Long Term Liabilities	.99	2.34	1.23	.57
Total Long Term Liabilities	33.70	30.16	29.47	22.71
Total Liabilities	50.28	50.09	49.75	45.84
Net Worth	49.72	49.91	50.25	54.16
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	.45%	10.37%	9.97%	13.91%
Active Owner's Return	13.73%	28.50%	28.62%	30.17%
Current Asset Ratio	3.82x	3.85x	3.79x	3.12x
Quick Asset Ratio	.76x	.87x	1.07x	.88x
Total Debt to Tangible Net Worth	101.11%	100.35%	98.99%	84.63%
Stock Turn Times	1.53x	1.96x	2.42x	2.75x
Sales to Inventory Ratio	2.35x	3.05x	3.70x	4.22x
Average Inventory per Sq. Ft. Sales Area	$20.44	$25.92	$26.23	$31.14
Net Sales to Accounts Receivable	21.11x	23.44x	19.95x	20.88x
Net Sales to Total Assets	1.19x	1.79x	2.02x	2.15x
Net Sales to Net Worth	2.40x	3.58x	4.01x	3.96x
Net Sales to Net Working Capital	1.95x	2.39x	2.69x	3.08x
Other Operating Data				
Credit Sales — % of Total Gross Sales	24.48%	30.94%	31.19%	31.97%
Consumer Sales — % of Total Gross Sales	79.30%	75.43%	76.63%	73.23%
Selling Area — Square Feet	3,037	4,119	5,515	9,076
Sales Per Square Foot — Selling Area	$47.00	$79.16	$97.85	$129.52
Total Area — Square Feet	4,288	6,165	9,659	13,866
Sales Per Square Foot — Total Area	$32.25	$51.74	$56.29	$83.95
Sales Per Person Employed	$47,703	$64,638	$76,565	$81,676
Sales Per Customer	$6.81	$7.22	$8.95	$10.97

Figures may not add to totals indicated because of rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	104	175	312	110
Net Sales Volume	$295,954	$420,571	$709,515	$1,430,087
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ .01%	+4.75%	+5.17%	+3.27%
Gross Sales	101.88%	101.73%	101.99%	102.04%
Less: Total Deductions	1.88	1.73	1.99	2.04
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.29	64.88	64.72	64.80
Margin Before Purchase Rebate or Patronage Dividend	34.71	35.12	35.28	35.20
Purchase Rebate or Patronage Dividend	.69	1.34	1.12	1.18
Margin After Purchase Rebate or Patronage Dividend	35.40	36.46	36.40	36.38
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.15	5.77	4.57	3.69
Salaries/Wages — Other Employees	11.95	10.79	12.21	13.82
Federal and State Payroll Taxes	1.50	1.37	1.40	1.43
Group Insurance	.76	.71	.63	.59
Benefit Plans	.19	.30	.41	.65
Total Payroll and Other Employee Expense	19.55	18.94	19.22	20.19
Occupancy Expense				
Heat, Light, Power, Water	1.20	1.10	1.15	1.14
Building Repairs and Maintenance	.20	.24	.21	.49
Rent or Ownership in Real Estate**	3.42	3.77	3.98	3.67
Total Occupancy Expense	4.81	5.10	5.35	5.28
Other Costs of Doing Business				
Office Supplies and Postage	.58	.53	.52	.40
Advertising and Promotion	1.97	2.19	2.50	2.73
Donations	.10	.07	.10	.08
Telephone and Telegraph	.35	.36	.33	.28
Bad Debts	.20	.18	.16	.24
Credit Card Expense (Bank Charges)	.11	.15	.17	.21
Delivery Expenses (Other than Wages)	.52	.46	.35	.29
Leasing Expenses (Non-Occupancy)	.06	.09	.08	.12
Insurance (Other than Real Estate and Group)	1.30	93	.89	.80
Taxes (Other than Real Estate and Payroll)	.54	.49	.61	.62
Interest (Other than Real Estate)	1.10	1.29	1.32	1.17
Depreciation (Other than Real Estate)	.88	1.03	1.05	.89
Store and Shop Supplies	.47	.41	.51	.47
Legal and Accounting	.53	.47	.41	.43
Computer Services and Expenses (Other than Wages)	.03	.05	.10	.16
Dues and Subscriptions	.10	.12	.10	.08
Travel, Buying, Entertainment	.19	.24	.22	.23
Miscellaneous Services (Laundry, Disposal, Etc.)	.11	.17	.10	.15
Unclassified Expenses	.58	.51	.53	.61
Total Other Costs of Doing Business	9.74	9.74	10.07	9.95
Total Operating Expenses	34.10	33.78	34.63	35.43
Operating Profit or Loss	1.30	2.68	1.77	.95
Other Income	1.21	1.94	1.55	1.57
Net Operating Profit or Loss (Before Income Taxes)	2.51	4.62	3.32	2.52

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Figures may not add to totals indicated because of rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$165,019	$216,869	$342,827	$701,095
		% of Total Assets		
Assets				
Cash On Hand and In Bank	7.56	9.80	6.51	5.04
Notes and Installment Contracts Receivable	.71	1.65	1.29	1.64
Accounts Receivable	9.66	9.05	9.37	9.54
Merchandise Inventory (End of Year)	53.57	55.47	54.60	53.08
Other Current Assets	1.41	1.71	2.57	2.35
Total Current Assets	72.91	77.68	74.34	71.65
Stocks and Bonds	8.17	5.44	5.23	4.66
Real Estate (Not Used in Business)	1.22	.37	.66	.28
Other Investments	3.05	3.99	5.79	7.49
Total Investments	12.43	9.80	11.68	12.42
Land (Owned and Used in Business)	2.53	1.18	1.10	2.46
Buildings (Owned and Used in Bus. Less Depre.)	5.31	4.58	3.98	5.79
Leasehold Improvements (Less Amortization Depreciation)	.33	.63	1.52	1.34
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	3.96	3.85	4.46	4.76
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.75	1.39	1.15	.80
Other Fixed Assets	.77	.88	1.76	.78
Total Fixed Assets	14.66	12.52	13.98	15.93
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	8.26	9.53	10.56	10.84
Current Portion of Notes Payable	6.53	4.88	5.64	6.88
Accrued Payroll Taxes	.67	.69	.67	.49
Accrued Other Taxes	1.06	.86	1.19	1.24
Other Accrued Expenses	.49	.74	1.27	2.08
Other Current Liabilities	1.57	1.72	2.21	2.65
Total Current Liabilities	18.57	18.41	21.53	24.19
Notes Due Partners/Officers	6.93	6.38	8.03	6.23
Mortgage Payable	2.52	3.74	2.55	3.99
Long Term Debt	10.49	11.68	13.37	15.07
Other Long Term Liabilities	.40	1.75	1.42	.42
Total Long Term Liabilities	20.33	23.54	25.36	25.72
Total Liabilities	38.90	41.95	46.89	49.91
Net Worth	61.10	58.05	53.11	50.09
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	7.38%	15.44%	12.94%	10.27%
Active Owner's Return	22.49%	34.71%	30.76%	25.30%
Current Asset Ratio	3.93x	4.22x	3.45x	2.96x
Quick Asset Ratio	1.11x	1.20x	.92x	.78x
Total Debt to Tangible Net Worth	63.66%	72.27%	88.30%	99.64%
Stock Turn Times	2.27x	2.28x	2.50x	2.53x
Sales to Inventory Ratio	3.47x	3.52x	3.86x	3.90x
Average Inventory per Sq. Ft. Sales Area	$39.60	$31.26	$26.69	$26.60
Net Sales to Accounts Receivable	18.56x	21.44x	22.09x	21.37x
Net Sales to Total Assets	1.79x	1.94x	2.07x	2.04x
Net Sales to Net Worth	2.94x	3.34x	3.90x	4.07x
Net Sales to Net Working Capital	2.51x	2.55x	2.87x	2.96x
Other Operating Data				
Credit Sales — % of Total Gross Sales	38.69%	35.17%	26.66%	29.26%
Consumer Sales — % of Total Gross Sales	69.19%	74.01%	75.04%	74.75%
Selling Area — Square Feet	2,118	3,826	6,893	14,047
Sales Per Square Foot — Selling Area	$139.75	$109.92	$102.93	$101.81
Total Area — Square Feet	4,447	6,157	10,565	20,007
Sales Per Square Foot — Total Area	$64.16	$66.76	$64.84	$69.52
Sales Per Person Employed	$65,513	$71,654	$77,102	$79,048
Sales Per Customer	$4.97	$7.97	$10.24	$11.63

Figures may not add to totals indicated because of rounding.

Type of Ownership

Income Statement Data	**Sole Proprietorship**	**Partnership**	**Corporation**
Number of Stores	121	40	587
Net Sales Volume	$321,564	$456,956	$788,508
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+4.66%	+6.98%	+4.08%
Gross Sales	102.07%	102.32%	101.94%
Less: Total Deductions	2.07	2.32	1.94
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.38	65.14	64.86
Margin Before Purchase Rebate or Patronage Dividend	33.62	34.86	35.14
Purchase Rebate or Patronage Dividend	.81	.88	1.17
Margin After Purchase Rebate or Patronage Dividend	34.43	35.74	36.31
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.28	3.26	4.60
Salaries/Wages — Other Employees	10.08	10.95	12.70
Federal and State Payroll Taxes	.87	1.30	1.46
Group Insurance	.50	.60	.65
Benefit Plans	.10	.07	.51
Total Payroll and Other Employee Expense	14.84	16.17	19.92
Occupancy Expense			
Heat, Light, Power, Water	1.44	1.47	1.11
Building Repairs and Maintenance	.32	.30	.30
Rent or Ownership in Real Estate**	4.38	3.78	3.72
Total Occupancy Expense	6.14	5.55	5.13
Other Costs of Doing Business			
Advertising and Promotion	2.47	2.75	2.49
Insurance (Other than Real Estate or Group)	.96	.91	.88
Taxes (Other than Real Estate and Payroll)	.54	.49	.58
Interest (Other than Real Estate)	1.57	1.81	1.25
Depreciation (Other than Real Estate)	1.14	1.12	.97
All Other Expenses	4.04	3.87	3.69
Total Other Costs of Doing Business	10.71	10.96	9.89
Total Operating Expense	31.68	32.68	34.94
Operating Profit or Loss	2.75	3.06	1.38
Other Income	1.17	.76	1.67
Net Operating Profit or Loss (Before Income Taxes)	3.92	3.82	3.05
Financial Performance			
Profit on Investment	11.94%	12.28%	11.93%
Active Owner's Return	21.93%	22.75%	29.92%
Current Asset Ratio	4.40x	3.79x	3.32x
Quick Asset Ratio	.91x	.83x	.91x
Total Debt to Tangible Net Worth	78.59%	90.96%	90.07%
Stock Turn Times	2.14x	2.01x	2.52x
Sales to Inventory Ratio	3.23x	3.09x	3.88x
Average Inventory per Sq. Ft. Sales Area	$23.17	$27.60	$28.79
Net Sales to Accounts Receivable	25.26x	23.28x	21.16x
Net Sales to Total Assets	1.70x	1.68x	2.06x
Net Sales to Net Worth	3.04x	3.21x	3.91x
Net Sales to Net Working Capital	2.59x	2.42x	2.86x
Other Operating Data			
Credit Sales — % of Total Gross Sales	28.81%	31.80%	31.06%
Consumer Sales — % of Total Gross Sales	76.51%	68.85%	74.31%
Selling Area — Square Feet	4,193	4,596	6,572
Sales Per Square Foot — Selling Area	$74.78	$84.55	$110.65
Total Area — Square Feet	5,588	8,554	10,321
Sales Per Square Foot — Total Area	$52.10	$45.09	$70.17
Sales Per Person Employed	$66,326	$66,145	$76,815
Sales Per Customer	$8.42	$8.23	$9.80

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Trade Area Size

Income Statement Data	**M.S.A.† Central City**	**M.S.A.† Suburban**	**Cities 10,000 To 50,000**	**Towns Under 10,000**
Number of Stores	94	43	192	421
Net Sales Volume	$863,028	$816,458	$801,431	$576,324
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+4.11%	-2.22%	+3.58%	+5.79%
Gross Sales	102.05%	102.08%	102.06%	101.84%
Less: Total Deductions	2.05	2.08	2.06	1.84
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	60.80	65.31	63.62	67.22
Margin Before Purchase Rebate or Patronage Dividend	39.20	34.69	36.38	32.78
Purchase Rebate or Patronage Dividend	1.08	.73	1.02	1.28
Margin After Purchase Rebate or Patronage Dividend	40.28	35.41	37.40	34.06
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.64	4.19	4.48	3.99
Salaries/Wages — Other Employees	14.30	14.34	12.92	11.35
Federal and State Payroll Taxes	1.53	1.48	1.51	1.31
Group Insurance	.72	.54	.74	.57
Benefit Plans	.62	.26	.64	.32
Total Payroll and Other Employee Expense	22.81	20.81	20.29	17.54
Occupancy Expense				
Heat, Light, Power, Water	1.01	1.23	1.18	1.16
Building Repairs and Maintenance	.57	.20	.28	.24
Rent or Ownership in Real Estate**	4.02	4.09	4.10	3.48
Total Occupancy Expense	5.60	5.53	5.56	4.88
Other Costs of Doing Business				
Advertising and Promotion	2.39	2.60	2.57	2.46
Insurance — Other than Real Estate or Group	.88	1.13	.85	.90
Taxes — Other than Real Estate or Payroll	.59	.46	.51	.60
Interest — Other than Real Estate	.86	1.06	1.33	1.45
Depreciation — Other than Real Estate	.87	.84	.95	1.06
All Other Expenses	4.23	2.99	3.73	3.70
Total Other Costs of Doing Business	9.82	9.08	9.93	10.17
Total Operating Expenses	38.23	35.42	35.78	32.59
Operating Profit or Loss	2.05	- .01	1.62	1.47
Other Income	1.29	1.81	1.64	1.78
Net Operating Profit or Loss (Before Income Taxes)	3.34	1.80	3.26	3.25
Financial Performance				
Profit on Investment	13.88%	6.09%	12.64%	12.12%
Active Owner's Return	37.30%	20.26%	30.03%	26.98%
Current Asset Ratio	3.41x	4.12x	2.96x	3.52x
Quick Asset Ratio	1.00x	1.00x	.79x	.94x
Total Debt to Tangible Net Worth	76.38%	71.18%	90.64%	96.03%
Stock Turn Times	2.93x	2.25x	2.45x	2.39x
Sales to Inventory Ratio	4.81x	3.45x	3.85x	3.55x
Average Inventory per Sq. Ft. Sales Area	$27.88	$32.17	$29.14	$26.81
Net Sales to Accounts Receivable	24.93x	19.95x	23.13x	19.36x
Net Sales to Total Assets	2.35x	1.98x	2.03x	1.90x
Net Sales to Net Worth	4.15x	3.38x	3.88x	3.73x
Net Sales to Net Working Capital	3.42x	2.61x	2.90x	2.65x
Other Operating Data				
Credit Sales — % of Total Gross Sales	22.40%	27.07%	33.78%	31.42%
Consumer Sales — % of Total Gross Sales	69.17%	70.70%	73.43%	77.08%
Selling Area — Square Feet	6,411	6,674	6,662	5,422
Sales Per Square Foot — Selling Area	$132.75	$111.77	$109.64	$94.66
Total Area — Square Feet	9,201	10,500	10,623	8,431
Sales Per Square Foot — Total Area	$93.22	$68.46	$69.89	$58.73
Sales Per Person Employed	$72,344	$73,681	$75,130	$76,952
Sales Per Customer	$7.91	$9.04	$10.93	$9.70

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†Metropolitan Statistical Area

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Store Location: Part I

Income Statement Data	**Downtown**	**Suburban**	**Rural**
Number of Stores	339	289	73
Net Sales Volume	$590,077	$837,608	$592,861
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+2.44%	+5.01%	+7.96%
Gross Sales	102.13%	101.83%	101.71%
Less: Total Deductions	2.13%	1.83%	1.71%
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.51	64.01	66.46
Margin Before Purchase Rebate or Patronage Dividend	34.49	35.99	33.54
Purchase Rebate or Patronage Dividend	1.17	1.15	.94
Margin After Purchase Rebate or Patronage Dividend	35.66	37.13	34.48
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.53	4.43	4.98
Salaries/Wages — Other Employees	12.81	12.59	10.67
Federal and State Payroll Taxes	1.39	1.47	1.23
Group Insurance	.75	.54	.60
Benefit Plans	.38	.53	.68
Total Payroll and Other Employee Expense	19.87	19.56	18.15
Occupancy Expenses			
Heat, Light, Power, Water	1.11	1.18	1.05
Building Repairs and Maintenance	.21	.39	.28
Rent or Ownership in Real Estate**	3.28	4.34	3.24
Total Occupancy Expense	4.59	5.90	4.58
Other Costs of Doing Business			
Advertising and Promotion	2.55	2.54	2.12
Insurance (Other than Real Estate and Group)	1.02	.77	.96
Taxes (Other than Real Estate and Payroll)	.64	.56	.59
Interest (Other than Real Estate)	1.40	1.11	1.50
Depreciation (Other than Real Estate)	.91	1.00	1.29
All Other Expenses	3.81	3.78	3.18
Total Other Costs of Doing Business	10.33	9.76	9.65
Total Operating Expenses	34.79	35.22	32.38
Operating Profit or Loss	.87	1.91	2.10
Other Income	2.07	1.22	1.54
Net Operating Profit or Loss (Before Income Taxes)	2.94	3.14	3.65

Financial Performance

Profit on Investment	9.98%	12.99%	14.84%
Active Owner's Return	25.34%	31.35%	35.10%
Current Asset Ratio	3.65x	3.12x	3.74x
Quick Asset Ratio	1.06x	.77x	.98x
Total Debt to Tangible Net Worth	79.67%	92.44%	111.89%
Stock Turn Times	2.32x	2.57x	2.52x
Sales to Inventory Ratio	3.55x	4.02x	3.79x
Average Inventory per Sq. Ft. Sales Area	$28.15	$27.58	$29.74
Net Sales to Accounts Receivable	16.60x	28.30x	20.86x
Net Sales to Total Assets	1.89x	2.15x	1.92x
Net Sales to Net Worth	3.39x	4.14x	4.07x
Net Sales to Net Working Capital	2.58x	3.07x	2.81x

Other Operating Data

Credit Sales — % of Total Gross Sales	34.64%	26.33%	27.56%
Consumer Sales — % of Total Gross Sales	69.46%	77.29%	77.30%
Selling Area — Square Feet	5,624	7,564	5,039
Sales Per Square Foot — Selling Area	$99.88	$109.30	$111.63
Total Area — Square Feet	9,188	11,263	8,006
Sales Per Square Foot — Total Area	$61.31	$71.87	$70.17
Sales Per Person Employed	$72,683	$76,940	$85,175
Sales Per Customer	$10.02	$9.44	$10.20

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Store Location: Part II

	Shopping Center		Free-Standing	
Income Statement Data	Neighborhood	Community or Regional	No Stores Adjacent	Stores Nearby
Number of Stores	135	79	132	335
Net Sales Volume	$694,602	$723,163	$815,020	$649,208
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+6.50%	+5.39%	+4.68%	+3.35%
Gross Sales	102.29%	102.10%	101.68%	101.87%
Less: Total Deductions	2.29	2.10	1.68	1.87
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.47	63.85	64.62	65.62
Margin Before Purchase Rebate or Patronage Dividend	36.53	36.15	35.38	34.38
Purchase Rebate or Patronage Dividend	1.15	1.18	1.06	1.12
Margin After Purchase Rebate or Patronage Dividend	37.69	37.32	36.43	35.50
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.51	4.53	3.88	4.29
Salaries/Wages — Other Employees	11.50	12.96	13.04	12.59
Federal and State Payroll Taxes	1.43	1.41	1.41	1.40
Group Insurance	.56	.54	.78	.59
Benefit Plans	.66	.40	.40	.47
Total Payroll and Other Employee Expense	19.67	19.84	19.51	19.35
Occupancy Expense				
Heat, Light, Power, Water	1.28	1.18	1.13	1.08
Building Repairs and Maintenance	.20	.77	.27	.25
Rent or Ownership in Real Estate**	4.53	4.18	3.58	3.59
Total Occupancy Expense	6.01	6.12	4.98	4.91
Other Costs of Doing Business				
Advertising and Promotion	2.65	2.45	2.35	2.52
Insurance (Other than Real Estate or Group)	.84	.81	.92	.92
Taxes (Other than Real Estate and Payroll)	.47	.52	.57	.65
Interest (Other than Real Estate)	1.34	.94	1.25	1.32
Depreciation (Other than Real Estate)	1.22	.81	1.03	.94
All Other Expenses	3.84	3.67	3.88	3.66
Total Other Costs of Doing Business	10.35	9.22	9.99	10.03
Total Operating Expenses	36.03	35.18	34.47	34.29
Operating Profit or Loss	1.66	2.15	1.96	1.21
Other Income	1.37	1.37	1.65	1.70
Net Operating Profit or Loss (Before Income Taxes)	3.03	3.51	3.61	2.91
Financial Performance				
Profit on Investment	13.01%	13.85%	13.72%	10.79%
Active Owner's Return	36.69%	31.71%	28.45%	26.70%
Current Asset Ratio	3.14x	2.98x	3.42x	3.51x
Quick Asset Ratio	.72x	.82x	.98x	.95x
Total Debt to Tangible Net Worth	96.08%	86.36%	88.01%	89.46%
Stock Turn Times	2.44x	2.52x	2.60x	2.41x
Sales to Inventory Ratio	3.85x	3.95x	4.02x	3.68x
Average Inventory per Sq. Ft. Sales Area	$27.11	$26.72	$28.54	$28.87
Net Sales to Accounts Receivable	33.99x	25.86x	19.03x	19.95x
Net Sales to Total Assets	2.19x	2.11x	2.02x	1.96x
Net Sales to Net Worth	4.29x	3.94x	3.80x	3.71x
Net Sales to Net Working Capital	3.06x	2.96x	2.91x	2.71x
Other Operating Data				
Credit Sales — % of Total Gross Sales	23.07%	25.77%	32.71%	33.23%
Consumer Sales — % of Total Gross Sales	80.37%	75.40%	70.42%	72.93%
Selling Area — Square Feet	6,488	6,550	6,981	6,009
Sales Per Square Foot — Selling Area	$103.92	$106.62	$114.01	$104.27
Total Area — Square Feet	8,926	9,505	12,342	9,454
Sales Per Square Foot — Total Area	$76.35	$70.63	$64.04	$65.33
Sales Per Person Employed	$76,994	$74,026	$75,783	$76,570
Sales Per Customer	$8.36	$9.81	$11.63	$9.67

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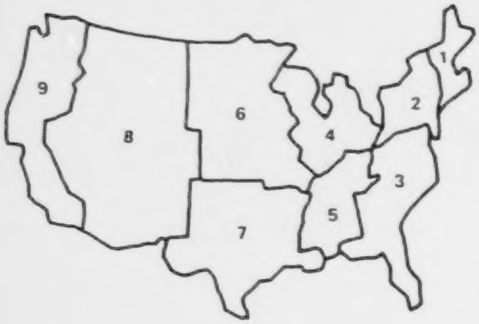
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

Income Statement Data	1 **New England**
Number of Stores	87
Net Sales Volume	$682,511
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+6.42%
Gross Sales	102.03%
Less: Total Deductions	2.03
Net Sales	100.00%
Cost of Goods Sold	66.70
Margin Before Purchase Rebate or Patronage Dividend	33.30
Purchase Rebate or Patronage Dividend	.82
Margin After Purchase Rebate or Patronage Dividend	34.12
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	4.71
Salaries/Wages — Other Employees	11.54
Federal and State Payroll Taxes	1.37
Group Insurance	.69
Benefit Plans	.35
Total Payroll and Other Employee Expense	18.65
Occupancy Expense	
Heat, Light, Power, Water	.90
Building Repairs and Maintenance	.25
Rent or Ownership in Real Estate**	3.43
Total Occupancy Expense	4.57
Total Costs of Doing Business	
Advertising and Promotion	1.88
Insurance (Other than Real Estate and Group)	1.14
Taxes (Other than Real Estate and Payroll)	.25
Interest (Other than Real Estate)	1.11
Depreciation (Other than Real Estate)	1.09
All Other Expenses	3.87
Total Other Costs of Doing Business	9.34
Total Operating Expense	32.56
Operating Profit or Loss	1.55
Other Income	2.33
Net Operating Profit or Loss (Before Income Taxes)	3.88
Financial Performance	
Profit on Investment	17.04%
Active Owner's Return	37.72%
Current Asset Ratio	3.18x
Quick Asset Ratio	1.08x
Total Debt to Tangible Net Worth	99.45%
Stock Turn Times	2.97x
Sales to Inventory Ratio	4.45x
Average Inventory Per Sq. Ft. Sales Area	$34.33
Net Sales to Accounts Receivable	15.77x
Net Sales to Total Assets	2.20x
Net Sales to Net Worth	4.39x
Net Sales to Net Working Capital	3.01x
Other Operating Data	
Credit Sales — % of Total Gross Sales	51.97%
Consumer Sales — % of Total Gross Sales	68.12%
Selling Area — Square Feet	3,596
Sales Per Square Foot — Selling Area	$141.52
Total Area — Square Feet	6,124
Sales Per Square Foot — Total Area	$85.35
Sales Per Person Employed	$86,695
Sales Per Customer	$11.13

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
66	94	278	25	90	48	30	68
$522,483	$782,547	$696,348	$725,648	$577,490	$679,555	$787,960	$712,669
+5.67%	+7.01%	+3.65%	+3.03%	+1.61%	-1.07%	+2.11%	+7.62%
101.56%	101.21%	102.54%	102.68%	101.42%	101.24%	101.49	102.07%
1.56	1.21	2.54	2.68	1.42	1.24	1.49	2.07
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64.48	62.81	66.25	67.97	65.64	61.38	65.00	63.30
35.52	37.19	33.75	32.03	34.36	38.62	35.00	36.70
.79	1.19	1.42	.46	1.14	.83	.93	1.13
36.31	38.38	35.18	32.49	35.50	39.46	35.92	37.83
4.41	4.27	4.13	4.62	4.53	5.84	3.03	5.05
11.98	13.93	11.97	11.58	12.86	13.04	12.98	12.66
1.44	1.31	1.47	1.07	1.42	1.23	1.38	1.56
.77	.54	.68	.58	.72	.50	.46	.60
.29	.70	.47	.23	.53	.05	.32	.67
18.88	20.76	18.71	18.08	20.07	20.65	18.16	20.53
1.30	1.06	1.31	.99	1.19	1.19	1.04	.91
.30	.31	.24	.26	.29	1.06	.22	.14
3.57	3.97	3.86	2.03	3.39	4.32	4.49	4.34
5.17	5.34	5.39	3.28	4.87	6.58	5.75	5.39
2.53	1.98	2.90	2.15	2.70	2.28	2.54	2.45
1.28	.81	.73	.91	.81	.95	.98	1.11
.66	.59	.59	.63	.40	.98	.78	.49
1.31	1.02	1.46	1.39	1.46	1.10	1.70	1.27
.87	1.09	.97	.95	.96	.99	1.22	.87
3.35	3.62	3.61	4.50	3.68	4.06	4.87	3.82
10.00	9.09	10.26	10.54	10.00	10.37	12.09	10.01
34.06	35.20	34.36	31.90	34.94	37.59	36.00	35.94
2.25	3.18	.81	.58	.55	1.86	- .08	1.90
1.14	1.74	1.75	1.82	1.67	1.27	1.71	1.16
3.39	4.92	2.56	2.40	2.22	3.14	1.63	3.05
12.32%	17.36%	9.84%	10.46%	7.58%	10.13%	7.99%	12.25%
28.36%	32.43%	25.71%	30.57%	23.06%	28.98%	22.81%	32.48%
3.20x	3.25x	3.59x	2.36x	3.12x	5.05x	2.85x	3.89x
.81x	1.01x	.85x	.77x	.72x	1.44x	.72x	1.03x
82.24%	73.60%	101.33%	111.56%	86.26%	77.30%	125.85%	73.26%
2.31x	2.60x	2.32x	2.43x	2.27x	2.41x	2.46x	2.65x
3.59x	4.14x	3.50x	3.58x	3.46x	3.93x	3.78x	4.18x
$30.47	$28.96	$27.72	$31.02	$26.05	$24.32	$26.96	$26.50
23.00x	16.96x	23.30x	12.26x	26.19x	25.61x	24.44x	26.53x
1.99x	2.03x	1.91x	2.06x	1.83x	1.82x	2.17x	2.31x
3.64x	3.53x	3.84x	4.35x	3.41x	3.23x	4.89x	4.01x
2.67x	2.88x	2.69x	2.52x	2.71x	2.87x	2.87x	3.23x
32.86%	31.39%	26.19%	55.77%	22.26%	29.67%	25.20%	24.72%
71.74%	68.87%	80.60%	67.15%	68.29%	73.95%	69.25%	77.75%
4,624	6,344	6,008	6,083	6,334	7,145	7,252	6,067
$109.51	$112.24	$99.72	$112.88	$88.92	$95.11	$102.71	$116.27
7,620	9,408	9,092	10,042	11,508	10,531	10,854	8,147
$58.00	$73.56	$66.37	$60.07	$49.09	$64.03	$72.60	$86.58
$72,644	$70,685	$75,447	$82,532	$64,465	$77,024	$82,835	$81,999
$6.80	$8.44	$10.19	$17.35	$10.30	$11.14	$10.78	$8.88

Number Of Stores

Income Statement Data	**Single Store Business**	**Multiple Store Business**
Number of Stores	689	98
Net Sales Volume	$667,316	$787,354
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+3.77%	+7.24%
Gross Sales	101.93%	102.17%
Less: Total Deductions	1.93	2.17
Net Sales	100.00%	100.00%
Cost of Goods Sold	65.33	63.61
Margin Before Purchase Rebate or Patronage Dividend	34.67	36.39
Purchase Rebate or Patronage Dividend	1.13	1.16
Margin After Purchase Rebate or Patronage Dividend	35.81	37.55
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	4.61	3.29
Salaries/Wages — Other Employees	12.25	13.61
Federal and State Payroll Taxes	1.40	1.46
Group Insurance	.66	.49
Benefit Plans	.46	.42
Total Payroll and Other Employee Expense	19.38	19.27
Occupancy Expense		
Heat, Light, Power, Water	1.14	1.20
Building Repairs and Maintenance	.30	.27
Rent or Ownership in Real Estate**	3.68	4.53
Total Occupancy Expense	5.12	6.00
Other Costs of Doing Business		
Advertising and Promotion	2.48	2.63
Insurance (Other than Real Estate and Group)	.91	.80
Taxes (Other than Real Estate and Payroll)	.57	.56
Interest (Other than Real Estate)	1.27	1.61
Depreciation (Other than Real Estate)	.95	1.24
All Other Expenses	3.78	3.72
Total Other Costs of Doing Business	9.95	10.56
Total Operating Expenses	34.45	35.82
Operating Profit or Loss	1.35	1.73
Other Income	1.77	1.18
Net Operating Profit or Loss (Before Income Taxes)	3.12	2.91
Financial Performance		
Profit on Investment	11.49%	13.88%
Active Owner's Return	28.45%	29.55%
Current Asset Ratio	3.51x	2.80x
Quick Asset Ratio	.96x	.64x
Total Debt to Tangible Net Worth	87.37%	118.27%
Stock Turn Times	2.43x	2.56x
Sales to Inventory Ratio	3.73x	4.03x
Average Inventory per Sq. Ft. Sales Area	$28.06	$27.20
Net Sales to Accounts Receivable	19.80x	34.46x
Net Sales to Total Assets	1.96x	2.18x
Net Sales to Net Worth	3.68x	4.77x
Net Sales to Net Working Capital	2.75x	3.17x
Other Operating Data		
Credit Sales — % of Total Gross Sales	32.02%	24.89%
Consumer Sales — % of Total Gross Sales	73.12%	81.98%
Selling Area — Square Feet	5,709	6,653
Sales Per Square Foot — Selling Area	$104.97	$107.54
Total Area — Square Feet	8,885	10,284
Sales Per Square Foot — Total Area	$66.40	$71.40
Sales Per Person Employed	$75,059	$77,468
Sales Per Customer	$9.54	$10.10

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

Figures may not add to totals indicated because of rounding.

Departmental Sales

The Departmental Sales section of The Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department.

To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Management Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Management Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand Tools, Paint & Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

Hardware $\frac{15.0}{50.0} = 30.0\%$

Hand Tools $\frac{10.0}{50.0} = 20.0\%$

Paint & Home Decorating $\frac{20.0}{50.0} = 40.0\%$

Automotive Supplies $\frac{5.0}{50.0} = 10.0\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint & Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page, examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost). Lawn and Garden's GMROI, for example, is 1.66 which means $1.66 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditionally low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

	Handling Firms Only					Average Store Profile		
Department	% Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	% of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	14.9	14.0	15.6	108.36	14.9	14.0	15.6
Hand Tools	100.0	6.1	5.9	6.2	129.07	6.1	5.9	6.2
Power Tools & Accessories	100.0	4.7	3.8	5.1	132.05	4.7	3.8	5.1
Plumbing, Heating & Cooling	100.0	12.9	12.2	12.6	121.70	12.9	12.2	12.6
Electrical Supplies	100.0	9.5	7.9	8.5	134.72	9.5	7.9	8.5
Paint & Home Decorating	95.7	13.4	11.1	11.6	132.89	12.5	10.9	10.9
Lumber	16.2	4.4	3.5	4.2	125.18	.8	.6	.9
Building Materials	26.4	4.7	3.5	4.4	135.44	1.5	1.3	1.4
Lawn & Garden	95.3	14.4	12.8	11.6	114.89	13.4	12.4	10.9
Housewares	86.0	8.4	13.4	9.8	76.58	7.4	12.4	8.7
Automotive Supplies	77.0	3.3	4.8	4.6	84.24	2.5	4.4	3.9
Major Appliances & Home Entertainment	26.4	8.1	5.2	6.3	143.55	2.3	1.4	1.8
Sporting Goods & Outdoor Living	62.3	4.9	6.4	5.9	78.75	3.3	4.3	4.3
Miscellaneous Goods	78.3	9.8	9.8	11.1	107.42	8.2	8.5	9.2
						100.0	100.0	100.0

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	45.6	3.6	1.66
Hand Tools	38.5	3.8	1.47
Power Tools & Accessories	27.5	3.4	.93
Plumbing, Heating & Cooling	44.5	4.4	1.98
Electrical Supplies	42.6	4.6	1.96
Paint & Home Decorating	40.1	4.5	1.80
Lumber	14.6	5.3	.78
Building Materials	24.8	5.7	1.41
Lawn & Garden	35.6	4.7	1.66
Housewares	35.4	3.5	1.23
Automotive Supplies	35.6	3.1	1.09
Major Appliances & Home Entertainment	17.8	4.1	.72
Sporting Goods & Outdoor Living	31.2	3.2	1.00
Miscellaneous Goods	34.6	3.1	1.06

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system inhouse.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

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Iowa Retail Hardware Association: John C. Phillips, 520 35th St., Des Moines 50312 *(515) 274-0401; (800) 652-9609 (Iowa only)*

Michigan Retail Hardware Association: Thomas A. Aitken, 4414 S. Pennsylvania Ave., P.O. Box 30085, Lansing 48909 *(517) 394-1710*

Mid-South Region: 770 N. High School Rd., Indianapolis, Ind. 46214-3798 *(317) 248-1261; (800) 672-6742 (Tenn., Miss., Ala. only)*

Minnesota-Dakotas Retail Hardware Association: Steve Johnson, 3033 Excelsior Blvd., Minneapolis, Minn. 55416 *(612) 929-4691; (800) 862-5964 (Minn. only); (800) 328-4874 (Dakotas only)*

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City, State, Zip ____________
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Today's do-it-yourself retailer cannot rely on "seat of the pants" judgment when making critical marketing and planning decisions.

NRHA's Marketing Research Department has assisted hundreds of hardware, home center, and lumber building material retailers in better penetrating the do-it-yourself market through the development of stronger, more effective marketing plans.

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Marketing Research Department

NRHA
National
Retail Hardware
Association

770 N. High School Road
Indianapolis, Indiana 46214-3798

HCI
home center institute

(317) 248-1261

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770 N. High School Road
Indianapolis, Indiana 46214-3798

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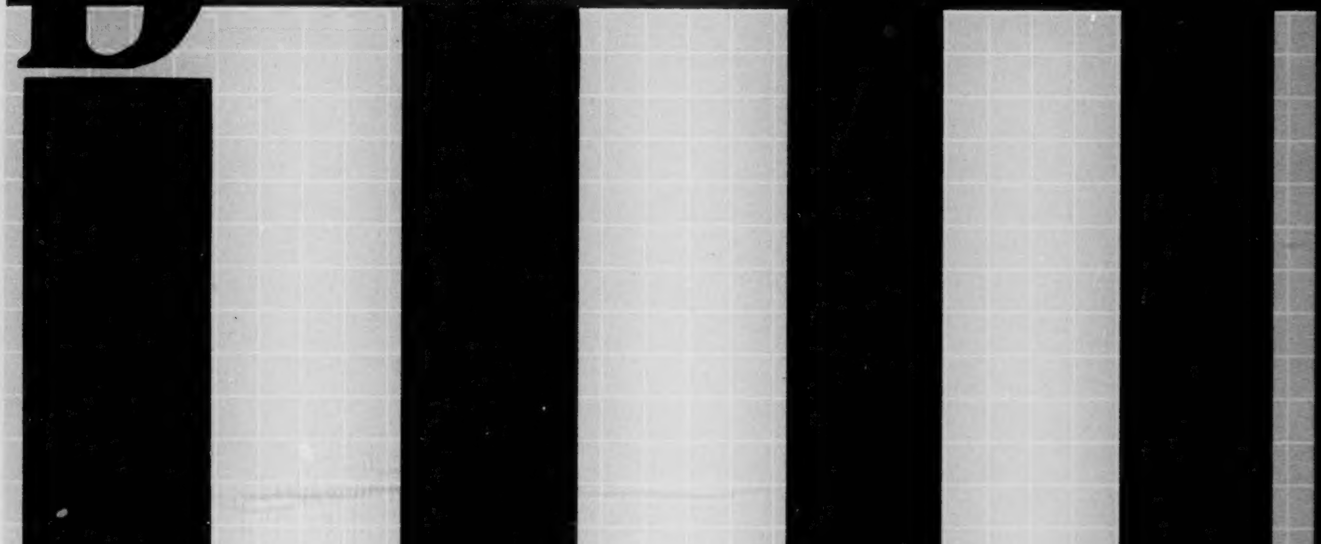
THE 1987 BOTTOM LINE

For Home Centers



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Comprised of twenty-one regional and state hardware associations and Canada

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August 31, 1987

To Retailers Serving Do-It-Yourself Consumers:

Every year National Retail Hardware Association undertakes a major research project that provides details on the innermost workings of stores just like yours.

The results give margin and expense figures that allow any retailer to compare his own store with stores like his, and find the areas that hold the most opportunity to increase profit and return on investment.

Again this year the association has completed this project with research among three different types of "do-it-yourself" retailer outlets--hardware stores, home centers, and lumber-building material outlets.

Fortunately, ours is not an industry with extreme annual fluctuations in store performance. However, there are continual changes that provide an "early warning" to the direction in which our industry is moving.

On an individual store basis, it is most important that these reports allow you to see how well you are doing in comparisons with other stores, to see where your performance ranks in the whole spectrum of stores like yours.

It is not enough to be "better than average" in an industry where average performance is unacceptable. Look at figures in comparison with the "high profit" stores, and see if you are in this category.

If not, by examining the comparative figures in detail you can spot those areas where improved performance can best improve profitability and return on investment.

If you provided financial data to NRHA to support this study, you have already received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If you did not take part this year, plan to do so in 1988 to get this helpful report.

NRHA is deeply indebted to all retailers who provided the information that makes this study possible.

Very truly yours,

DAVID LOVING
Managing Director

DL/dc

Publishers of
Do-It-Yourself Retailing

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NRHA
National
Retail Hardware
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home center
institute

Prepared by:
Marketing Research Deparment

Introduction

The Bottom Line

The 1987 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives:

- To assess financial performance of the home center industry in 1986
- To provide comparative financial data so that retailers can measure their performance against industry averages
- To provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels.

Additionally, The Bottom Line provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the home center industry.

Four Major Sections

The Bottom Line is divided into four major sections: Historical Trends for 1982 through 1986; The Strategic Profit Model; Average Operating Results for 1986; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The Strategic Profit Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in home center outlets. The percent of net sales, sales floor and inventory are outlined for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area Size
—Store Location
—Store Orientation
—Number of Stores

Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provide us with detailed information on their operation. Questionnaires were sent to home center operators in February, 1987. One hundred twenty-seven usable returns were received by June 15, 1987 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was key punched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Bottom Line are the Management Report for retail hardware stores and The Profit Report for DIY lumber outlets.

For Assistance

Assistance and aid in interpreting The 1987 Bottom Line Report may be obtained from your regional hardware association or the National Retail Hardware Association/Home Center Institute.

Historical Trends

	ALL HOME CENTERS FISCAL YEAR				
Income Statement Data	1986	1985	1984	1983	1982
Net Sales Volume	$3,412,005	$2,631,881	$2,875,479	$2,792,676	$2,394,983
Gross Sales	101.96%	102.62%	101.96%	102.08%	102.43%
Less: Total Deductions	1.96	2.62	1.96	2.08	2.43
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.63	70.70	72.70	68.80	69.46
Margin Before Purchase Rebate or Patronage Dividend	27.37	29.30	27.30	31.20	30.54
Purchase Rebate or Patronage Dividend	.18	.41	.29	.33	.35
Margin After Purchase Rebate or Patronage Dividend	27.55	29.71	27.59	31.53	30.89
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.64	2.47	3.08	2.45	2.90
Salaries/Wages — Other Employees	9.90	10.23	9.98	12.28	12.35
Federal and State Payroll Taxes	1.07	1.17	1.11	1.21	1.23
Group Insurance	.53	.50	.55	.65	.70
Benefit Plans	.49	.78	.44	.41	.56
Total Payroll and Other Employee Expense	14.63	15.15	15.16	17.00	17.74
Occupancy Expense					
Heat, Light, Power, Water	.64	.67	.60	.72	.80
Building Repairs and Maintenance	.34	.17	.38	.31	.31
Rent or Ownership in Real Estate**	2.19	1.93	2.14	2.48	2.68
Total Occupancy Expense	3.17	2.77	3.12	3.51	3.79
Other Costs of Doing Business					
Advertising and Promotion	1.76	1.93	1.59	1.96	2.18
Insurance (Other than Real Estate or Group)	.61	.37	.47	.41	.47
Taxes (Other than Real Estate and Payroll)	.50	.30	.47	.25	.34
Interest (Other than Real Estate)	1.03	1.34	1.03	.61	1.00
Depreciation (Other than Real Estate)	.82	.62	.70	.79	.76
All Other Expenses	3.78	4.19	3.47	4.15	3.79
Total Other Costs of Doing Business	8.49	8.75	7.73	8.17	8.54
Total Operating Expenses	26.29	26.67	26.01	28.68	30.07
Operating Profit or Loss	1.26	3.04	1.58	2.85	.82
Other Income	1.57	1.27	1.69	1.53	1.78
Net Operating Profit or Loss (Before Income Taxes)	2.83	4.31	3.27	4.38	2.60
Financial Performance					
Profit on Investment	15.79%	20.89%	17.05%	17.49%	11.11%
Active Owner's Return	30.54%	32.86%	33.16%	27.26%	23.48%
Current Asset Ratio	2.28x	2.45x	2.32x	2.48x	2.18x
Quick Asset Ratio	1.00x	.95x	1.02x	.87x	.75x
Total Debt to Tangible Net Worth	110.09%	90.86%	99.74%	66.60%	87.07%
Stock Turn Times	4.92x	4.10x	4.83x	3.89x	3.73x
Sales to Inventory Ratio	6.78x	5.80x	6.64x	5.65x	5.37x
Average Inventory per Sq. Ft. Sales Area	$32.43	$62.54	$49.00	$50.25	$50.67
Net Sales to Accounts Receivable	10.94x	12.47x	12.46x	15.70x	16.71x
Net Sales to Total Assets	2.66x	2.54x	2.62x	2.40x	2.28x
Net Sales to Net Worth	5.58x	4.85x	5.22x	3.99x	4.26x
Net Sales to Net Working Capital	3.86x	5.96x	6.37x	5.90x	6.36x
Other Operating Data					
Credit Sales — % of Total Gross Sales	47.42%	41.08%	53.82%	44.55%	42.79%
Consumer Sales — % of Total Gross Sales	52.25%	62.26%	59.21%	67.13%	71.41%
Selling Area — Square Feet	15,055	13,738	17,163	19,428	16,540
Sales Per Square Foot — Selling Area	$226.63	$190.18	$158.18	$143.74	$144.80
Total Area — Square Feet	35,105	28,015	33,478	31,898	27,149
Sales Per Square Foot — Total Area	$89.91	$85.06	$92.75	$87.55	$88.22
Sales Per Person Employed	$136,719	$107,839	$116,517	$87,988	$83,003
Sales Per Customer	$33.27	$29.63	$37.86	$18.18	$19.97

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	8.9%	9.1%	10.3%	11.1%	9.8%	$155.21	$130.67	$140.78	$144.79	$139.13
Hand Tools	3.1	3.0	3.4	4.8	4.1	170.87	114.88	125.75	131.40	129.03
Power Tools & Accessories	3.8	2.4	3.3	4.6	2.4	203.09	145.08	136.48	154.59	112.05
Plumbing, Heating & Cooling	5.8	6.6	7.6	10.2	9.0	151.23	130.72	143.50	132.94	121.78
Electrical Supplies	4.3	4.5	5.5	7.5	7.0	142.74	121.19	130.32	126.60	131.59
Paint & Home Decorating	6.0	7.3	8.7	9.2	9.2	127.01	143.42	129.37	131.07	137.37
Lumber	28.7	27.7	20.3	14.4	16.8	490.75	389.12	364.21	261.14	205.79
Building Materials	25.9	26.8	25.7	17.2	17.9	399.08	225.61	292.18	280.76	258.53
Lawn & Garden	4.9	5.0	5.4	9.4	9.1	163.40	125.27	117.01	89.53	79.91
Housewares	1.2	1.3	2.0	4.2	4.1	58.15	71.48	85.23	92.70	75.65
Automotive Supplies	.5	.9	.5	1.2	1.6	90.39	110.64	160.40	137.64	121.31
Major Appliances & Home Entertainment	1.2	.5	1.6	1.4	1.1	121.28	130.01	113.07	121.20	78.50
Sporting Goods & Outdoor Living	.4	.6	1.3	1.7	2.1	NA	112.03	100.00	139.85	124.18
Miscellaneous Goods	5.3	4.1	4.4	3.1	5.8	247.16	102.85	118.77	187.40	155.22

	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	5.5x	4.7x	5.3x	4.2x	4.6x	$2.06	$1.88	$2.13	$1.62	$1.88
Hand Tools	6.0	5.8	4.9	4.0	4.2	2.07	2.06	1.74	1.38	1.50
Power Tools & Accessories	5.6	4.2	5.3	3.9	3.4	1.66	1.28	1.65	1.36	1.08
Plumbing, Heating & Cooling	5.0	5.1	5.1	4.8	4.8	1.79	1.88	1.92	1.81	1.73
Electrical Supplies	5.3	5.0	4.8	5.1	4.4	1.94	1.87	1.76	1.95	1.70
Paint & Home Decorating	6.2	6.1	6.6	5.9	5.2	2.19	2.06	2.48	2.14	1.95
Lumber	9.4	6.9	8.3	7.2	6.8	2.20	1.72	2.11	1.94	1.64
Building Materials	8.7	6.6	5.8	6.6	6.8	2.18	1.74	1.72	1.82	1.81
Lawn & Garden	6.6	5.0	5.3	5.2	4.8	2.10	1.57	1.76	1.55	1.60
Housewares	3.5	3.9	3.1	4.6	5.0	.95	1.28	1.05	1.45	1.78
Automotive Supplies	3.4	4.5	3.6	5.5	4.3	.85	1.44	1.04	1.73	1.33
Major Appliances & Home Entertainment	4.8	3.8	4.1	5.0	4.1	1.00	.67	.84	.91	.87
Sporting Goods & Outdoor Living	3.4	3.7	3.7	5.2	4.7	.85	1.21	1.06	1.45	1.58
Miscellaneous Goods	8.6	4.8	5.0	4.9	4.3	2.65	.86	1.63	1.39	1.41

**Average Home Center.

Monthly Sales

Month	1986	1985	1984	1983	1982
January	6.0	6.0	6.0	5.7	6.0
February	5.0	5.4	5.9	5.4	5.6
March	6.2	6.9	6.8	6.7	7.0
April	8.2	8.6	8.2	8.0	8.2
May	9.6	9.8	9.9	9.3	9.2
June	10.1	9.6	10.2	10.1	8.9
July	9.9	9.4	9.2	9.4	9.8
August	9.1	9.4	9.2	9.3	9.5
September	9.9	8.8	8.6	9.0	9.0
October	9.7	9.1	8.8	9.1	9.2
November	8.2	8.4	8.4	8.6	8.4
December	8.1	8.4	8.8	9.4	9.2

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

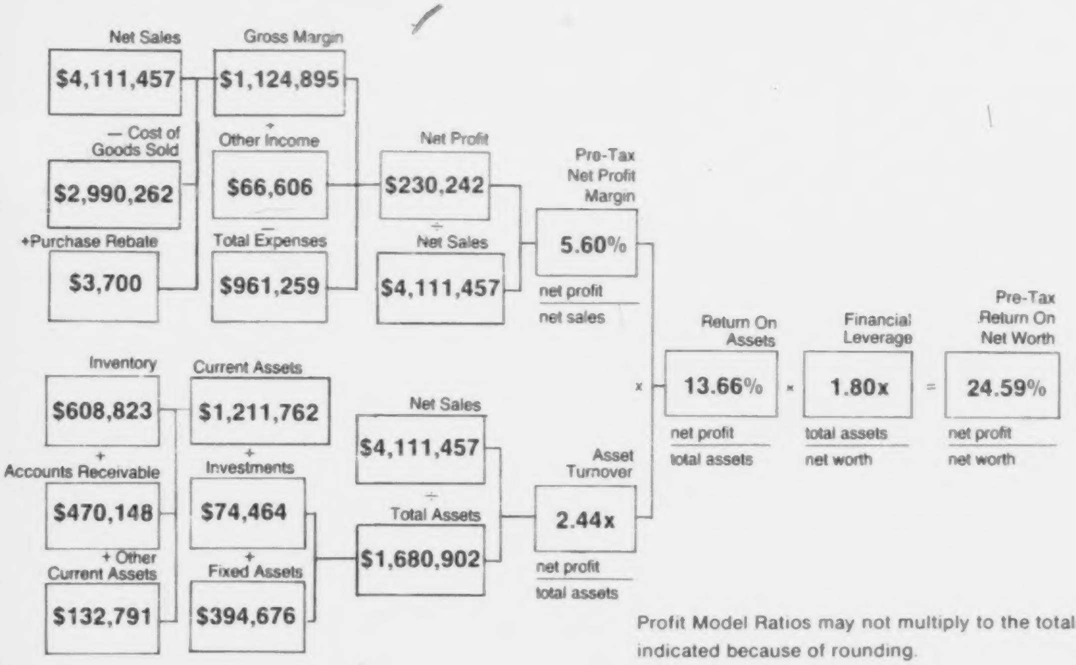
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Centers


Net Sales
$4,111,457
— Cost of Goods Sold
$2,990,262
+Purchase Rebate
$3,700
Gross Margin
$1,124,895
+
Other Income
$66,606
—
Total Expenses
$961,259
Net Profit
$230,242
÷
Net Sales
$4,111,457
Pre-Tax Net Profit Margin
5.60%
net profit
net sales
Inventory
$608,823
+
Accounts Receivable
$470,148
+ Other Current Assets
$132,791
Current Assets
$1,211,762
+
Investments
$74,464
+
Fixed Assets
$394,676
Net Sales
$4,111,457
÷
Total Assets
$1,680,902
Asset Turnover
2.44x
net profit
total assets
x
Return On Assets
13.66%
net profit
total assets
×
Financial Leverage
1.80x
total assets
net worth
=
Pre-Tax Return On Net Worth
24.59%
net profit
net worth

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of Home Center	1986 Net Sales ($)	Sales Increase Over 1985* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Home Centers	3,412,005	+11.58	27.55	2.83	15.79	4.92
Low Profit	3,137,709	+ 1.43	29.63	- .58	- 3.69	4.12
High Profit	4,111,457	+17.94	27.36	5.60	24.71	5.26
Sales Volume Size						
$1,000,000 to $2,999,999	1,827,599	+ 4.64	29.01	2.36	9.72	3.50
$3,000,000 to $4,999,999	3,985,201	+10.47	27.95	2.31	17.32	5.72
$5,000,000 or more	7,369,009	+19.09	25.70	4.06	20.69	5.61
Sales Floor Size						
10,000 to 14,999 Sq. Ft.	2,895,386	+11.54	27.12	3.00	18.72	4.84
15,000 to 19,999 Sq. Ft.	4,029,406	+ 6.01	25.15	1.78	9.42	4.71
20,000 Sq. Ft. or more	4,653,395	+ 7.09	29.63	3.04	12.85	5.16
Type of Origin						
Originally Hardware	2,187,945	+ 7.58	30.68	4.11	16.06	3.97
Originally Lumber/Building Materials	4,088,689	+14.99	26.57	3.15	18.30	5.42
Organized as Home Center	2,759,069	+ 6.32	32.61	1.57	17.93	4.84
Trade Area Size						
Metropolitan Statistical Area	4,185,603	+16.64	27.94	3.25	18.99	4.93
Cities 10,000 to 50,000	3,238,235	+ 6.98	28.42	1.42	8.31	4.91
Towns Under 10,000	3,011,682	+10.67	26.49	3.61	18.72	4.90
Outlet Location: Part I						
Downtown	3,319,216	+ 9.40	28.37	2.32	10.73	4.29
Suburban	3,753,279	+13.72	27.00	2.89	18.62	5.31
Rural	2,258,221	+ 8.37	28.29	3.56	14.30	3.88
Outlet Location: Part II						
Shopping Centers	1,940,927	+ 8.01	32.21	1.08	5.68	3.32
Free-Standing — No Stores Adjacent	3,596,999	+ 8.11	25.03	2.63	13.29	5.03
Free-Standing — Stores Nearby	3,740,418	+13.80	28.09	3.27	18.99	5.25
Number of Stores:						
Single Store Business	3,406,289	+ 8.20	26.31	2.71	13.74	4.98
2 to 4 Stores	2,683,961	+ 3.14	30.33	1.90	8.95	4.31
5 Stores or more	3,839,776	+19.09	28.21	3.37	24.01	5.13

*As reported by The Bottom Line contributors.

Monthly Sales

	%		%		%
January	6.0	May	9.6	September	9.9
February	5.0	June	10.1	October	9.7
March	6.2	July	9.9	November	8.2
April	8.2	August	9.1	December	8.1

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	127	30	38
Net Sales Volume	$3,412,005	$3,137,709	$4,111,457
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+11.58%	+ 1.43%	+17.94%
Gross Sales	101.96%	101.89%	101.50%
Less: Total Deductions	1.96	1.89	1.50
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.63	70.70	72.73
Margin Before Purchase Rebate or Patronage Dividend	27.37	29.30	27.27
Purchase Rebate or Patronage Dividend	.18	.33	.09
Margin After Purchase Rebate or Patronage Dividend	27.55	29.63	27.36
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.64	2.93	3.49
Salaries/Wages — Other Employees	9.90	12.19	8.34
Federal and State Payroll Taxes	1.07	1.13	1.02
Group Insurance	.53	.71	.42
Benefit Plans	.49	.49	.45
Total Payroll and Other Employee Expense	14.63	17.46	13.73
Occupancy Expense			
Heat, Light, Power, Water	.64	.88	.46
Building Repairs and Maintenance	.34	.29	.31
Rent or Ownership in Real Estate**	2.19	2.41	1.62
Total Occupancy Expense	3.17	3.58	2.40
Other Costs of Doing Business			
Office Supplies and Postage	.40	.44	.35
Advertising and Promotion	1.76	2.21	1.04
Donations	.04	.02	.04
Telephone and Telegraph	.24	.23	.19
Bad Debts	.34	.41	.18
Credit Card Expense (Bank Charges)	.13	.12	.08
Delivery (Other than Wages)	.52	.60	.50
Leasing Expenses (Non-Occupancy)	.21	.47	.08
Insurance (Other than Real Estate and Group)	.61	.62	.64
Taxes (Other than Real Estate and Payroll)	.50	1.19	.26
Interest (Other than Real Estate)	1.03	1.45	.93
Depreciation (Other than Real Estate)	.82	.87	.92
Store and Shop Supplies	.22	.26	.24
Legal and Accounting	.26	.27	.24
Computer Services and Expenses (Other than Wages)	.16	.37	.09
Dues and Subscriptions	.05	.08	.03
Travel, Buying, Entertainment	.18	.14	.20
Miscellaneous Services (Laundry, Disposal, Etc.)	.05	.14	.04
Unclassified Expenses	.98	.72	1.21
Total Other Costs of Doing Business	8.49	10.62	7.25
Total Operating Expenses	26.29	31.66	23.37
Operating Profit or Loss	1.26	-2.03	3.98
Other Income	1.57	1.45	1.62
Net Operating Profit or Loss (Before Income Taxes)	2.83	- .58	5.60

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,284,291	$1,196,894	$1,680,902
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.04	3.73	6.32
Notes and Installment Contracts Receivable	1.04	1.43	.53
Accounts Receivable	24.28	16.76	27.97
Merchandise Inventory (End of Year)	39.62	43.72	36.22
Other Current Assets	1.56	2.64	1.05
Total Current Assets	71.54	68.28	72.09
Stocks and Bonds	1.68	2.65	.95
Real Estate (Not Used In Bus.)	2.04	2.76	.08
Other Investments	4.78	6.42	3.40
Total Investments	8.51	11.84	4.43
Land (Owned and Used In Bus.)	2.20	2.32	1.92
Buildings (Owned and Used In Bus. Less Depre.)	5.61	5.53	5.63
Leasehold Improvements (Less Amortization Allowance)	1.56	1.72	1.10
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	3.19	3.23	2.41
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.50	.93	1.87
Other Fixed Assets	5.88	6.14	10.54
Total Fixed Assets	19.95	19.88	23.47
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	14.67	16.89	10.75
Current Portion of Notes Payable	9.32	9.78	12.21
Accrued Payroll Taxes	.30	.43	.20
Accrued Other Taxes	1.85	1.20	2.66
Other Accrued Expenses	2.65	2.10	3.12
Other Current Liabilities	2.64	2.37	1.89
Total Current Liabilities	31.43	32.76	30.84
Notes Due Partners/Officers	1.72	2.55	.68
Mortgage Payable	2.19	3.09	.99
Long Term Debt	16.25	20.31	11.81
Other Long Term Liabilities	.81	.14	.26
Total Long Term Liabilities	20.97	26.08	13.74
Total Liabilities	52.40	58.84	44.58
Net Worth	47.60	41.16	55.42
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	15.79%	-3.69%	24.71%
Active Owner's Return	30.54%	14.97%	40.12%
Current Asset Ratio	2.28x	2.08x	2.34x
Quick Asset Ratio	1.00x	.70x	1.22x
Total Debt to Tangible Net Worth	110.09%	142.95%	80.44%
Stock Turn Times	4.92x	4.12x	5.26x
Sales to Inventory Ratio	6.78x	5.83x	7.23x
Average Inventory per Sq. Ft. Sales Area	$32.43	$29.75	$34.23
Net Sales to Accounts Receivable	10.94x	15.65x	8.74x
Net Sales to Total Assets	2.66x	2.62x	2.45x
Net Sales to Net Worth	5.58x	6.37x	4.41x
Net Sales to Net Working Capital	3.86x	3.98x	3.48x

Other Operating Data

Credit Sales — % of Total Gross Sales	47.42%	52.79%	77.07%
Consumer Sales — % of Total Gross Sales	52.25%	57.42%	38.55%
Selling Area — Square Feet	15,055	17,551	15,732
Sales Per Square Foot — Selling Area	$226.63	$178.77	$261.35
Total Area — Square Feet	35,105	36,954	47,114
Sales Per Square Foot — Total Area	$89.91	$69.51	$84.51
Sales Per Person Employed	$136,719	$100,319	$150,661
Sales Per Customer	$33.27	$26.81	$56.57

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	$1,000,000 To $2,999,999	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Number of Outlets	59	50	17
Net Sales Volume	$1,827,599	$3,985,201	$7,369,009
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	4.64%	10.47%	19.09%
Gross Sales	102.50%	101.96%	101.51%
Less: Total Deductions	2.50	1.96	1.51
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.30	72.25	74.35
Margin Before Purchase Rebate or Patronage Dividend	28.70	27.75	25.65
Purchase Rebate or Patronage Dividend	.31	.20	.05
Margin After Purchase Rebate or Patronage Dividend	29.01	27.95	25.70
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.32	2.56	3.05
Salaries/Wages — Other Employees	11.13	10.23	8.35
Federal and State Payroll Taxes	1.01	1.16	.98
Group Insurance	.46	.55	.55
Benefit Plans	.49	.52	.44
Total Payroll and Other Employee Expense	15.41	15.02	13.37
Occupancy Expense			
Heat, Light, Power, Water	.82	.74	.33
Building Repairs and Maintenance	.30	.45	.21
Rent or Ownership in Real Estate**	3.31	2.11	1.33
Total Occupancy Expense	4.44	3.30	1.87
Other Costs of Doing Business			
Office Supplies and Postage	.36	.47	.32
Advertising and Promotion	1.95	2.12	1.02
Donations	.04	.03	.04
Telephone and Telegraph	.27	.25	.20
Bad Debts	.29	.43	.21
Credit Card Expense (Bank Charges)	.12	.16	.11
Delivery (Other Than Wages)	.47	.56	.48
Leasing Expenses (Non-Occupancy)	.12	.36	.05
Insurance (Other Than Real Estate and Group)	.78	.57	.54
Taxes (Other Than Real Estate and Payroll)	.52	.64	.26
Interest (Other Than Mortgages)	1.13	1.01	.96
Depreciation (Other than Real Estate)	.87	.62	1.08
Store and Shop Supplies	.30	.18	.21
Legal and Accounting	.27	.25	.26
Computer Services and Expenses (Other Than Wages)	.17	.19	.11
Dues and Subscriptions	.07	.05	.03
Travel, Buying, Entertainment	.19	.14	.23
Miscellaneous Services (Laundry, Disposal, etc.)	.07	.06	.04
Unclassified Expenses	.79	.91	1.26
Total Other Costs of Doing Business	8.79	8.99	7.42
Total Operating Expenses	28.62	27.31	22.66
Operating Profit or Loss	.39	.64	3.04
Other Income	1.96	1.67	1.02
Net Operating Profit or Loss (Before Income Taxes)	2.36	2.31	4.06

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	**$1,000,000 To $2,999,999**	**$3,000,000 To $4,999,999**	**Sales $5,000,000 Or More**
Total Dollar Assets	$804,279	$1,321,167	$2,880,066
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.64	4.87	4.71
Notes and Installment Contracts Receivable	.84	1.60	.16
Accounts Receivable	15.94	22.24	35.30
Merchandise Inventory (End of Year)	47.15	38.95	33.38
Other Current Assets	1.63	1.64	1.41
Total Current Assets	71.20	69.30	74.96
Stocks and Bonds	1.74	2.82	.11
Real Estate (Not Used in Bus.)	.22	4.71	.24
Other Investments	6.75	5.16	2.39
Total Investments	8.71	12.69	2.73
Land (Owned and Used in Bus.)	2.55	2.57	1.25
Buildings (Owned and Used in Bus. Less Depre.)	7.46	5.81	3.45
Leasehold Improvements (Less Amortization Allowance)	2.06	1.83	.72
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.74	2.71	2.35
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.19	1.64	.62
Other Fixed Assets	1.09	3.43	13.91
Total Fixed Assets	20.09	18.01	22.31
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	13.28	16.39	13.80
Current Portion of Notes Payable	4.68	9.18	14.07
Accrued Payroll Taxes	.55	.23	.15
Accrued Other Taxes	1.03	2.24	2.15
Other Accrued Expenses	2.01	2.35	3.70
Other Current Liabilities	2.05	3.85	1.41
Total Current Liabilities	23.60	34.24	35.28
Notes Due Partners/Officers	2.43	2.06	.61
Mortgage Payable	4.05	1.56	1.25
Long Term Debt	14.49	20.33	12.42
Other Long Term Liabilities	.33	1.56	.27
Total Long Term Liabilities	21.30	25.51	14.54
Total Liabilities	44.90	59.74	49.83
Net Worth	55.10	40.26	50.17
Total Liabilities And Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	9.72%	17.32%	20.69%
Active Owner's Return	19.28%	36.48%	36.27%
Current Asset Ratio	3.02x	2.02x	2.12x
Quick Asset Ratio	1.02x	.87x	1.14x
Total Debt to Tangible Net Worth	81.50%	148.41%	99.30%
Stock Turn Times	3.50x	5.72x	5.61x
Sales to Inventory Ratio	4.91x	7.92x	7.54x
Average Inventory per Sq. Ft. Sales Area	$29.27	$27.15	$58.82
Net Sales to Accounts Receivable	14.26x	13.56x	7.25x
Net Sales to Total Assets	2.27x	3.02x	2.56x
Net Sales to Net Worth	4.12x	7.49x	5.10x
Net Sales to Net Working Capital	3.29x	4.61x	3.48x

Other Operating Data

Credit Sales — % of Total Gross Sales	61.72%	~~38.58%~~	61.16%
Consumer Sales — % of Total Gross Sales	61.15%	59.77%	34.10%
Selling Area — Square Feet	13,372	16,052	18,265
Sales Per Square Foot — Selling Area	$136.67	$248.27	$403.45
Total Area — Square Feet	23,845	45,001	46,016
Sales Per Square Foot — Total Area	$63.50	$84.57	$153.72
Sales Per Person Employed	$111,240	$133,797	$176,101
Sales Per Customer	$17.14	$35.22	$82.92

Sales Floor Size

Income Statement Data	Sales Area Under 14,999 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	84	16	27
Net Sales Volume	$2,895,386	$4,029,406	$4,653,395
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+11.54%	+ 6.01%	+ 7.09%
Gross Sales	102.43%	102.76%	100.58%
Less: Total Deductions	2.43	2.76	.58
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.00	75.03	70.68
Margin Before Purchase Rebate or Patronage Dividend	27.00	24.97	29.32
Purchase Rebate or Patronage Dividend	.12	.18	.31
Margin After Purchase Rebate Or Patronage Dividend	27.12	25.15	29.63
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.31	2.72	3.24
Salaries — Other Employees	9.87	9.17	10.34
Federal and State Payroll Taxes	.96	1.09	1.27
Group Insurance	.44	.73	.59
Benefit Plans	.61	.32	.35
Total Payroll and Other Employee Expense	14.18	14.03	15.79
Occupancy Expense			
Heat, Light, Power, Water	.64	.57	.68
Building Repairs and Maintenance	.37	.29	.32
Rent or Ownership in Real Estate**	2.48	1.23	2.10
Total Occupancy Expense	3.49	2.09	3.10
Other Costs of Doing Business			
Office Supplies and Postage	.42	.40	.35
Advertising and Promotion	2.06	1.41	1.35
Donations	.04	.03	.04
Telephone and Telegraph	.26	.25	.21
Bad Debts	.37	.54	.17
Credit Card Expense (Bank Charges)	.13	.10	.15
Delivery (Other Than Wages)	.45	.97	.42
Leasing Expenses (Non-Occupancy)	.21	.57	.03
Insurance (Other Than Real Estate and Group)	.61	.54	.66
Taxes (Other Than Real Estate and Payroll)	.33	.74	.70
Interest (Other Than Real Estate)	.87	1.19	1.25
Depreciation (Other Than Real Estate)	.70	.82	1.03
Store and Shop Supplies	.18	.12	.35
Legal and Accounting	.25	.21	.31
Computer Services and Expenses (Other Than Wages)	.13	.30	.16
Dues and Subscriptions	.05	.07	.05
Travel, Buying, Entertainment	.18	.15	.19
Miscellaneous Services (Laundry, Disposal, etc.)	.04	.05	.08
Unclassified Expenses	.96	.47	1.28
Total Other Costs of Doing Business	8.23	8.94	8.79
Total Operating Expenses	25.90	25.06	27.68
Operating Profit or Loss	1.22	.09	1.95
Other Income	1.78	1.69	1.09
Net Operating Profit or Loss (Before Income Taxes)	3.00	1.78	3.04

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 14,999 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$1,009,865	$1,634,918	$2,141,999
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.49	4.09	6.44
Notes and Installment Contracts Receivable	1.33	.39	.89
Accounts Receivable	24.61	25.89	23.08
Merchandise Inventory (End of Year)	41.94	40.63	35.48
Other Current Assets	1.15	1.85	1.99
Total Current Assets	73.51	72.85	67.87
Stocks and Bonds	1.35	1.38	2.32
Real Estate (Not Used in Bus.)	2.57	1.01	1.58
Other Investments	5.05	5.69	3.87
Total Investments	8.97	8.09	7.77
Land (Owned and Used in Bus.)	2.81	3.01	.77
Buildings (Owned and Used in Bus. Less Depre.)	5.59	5.21	5.71
Leasehold Improvements (Less Depre.)	2.51	.32	.62
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.34	2.67	1.58
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.85	1.34	1.01
Other Fixed Assets	.42	6.52	14.66
Total Fixed Assets	17.52	19.06	24.35
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	16.25	17.20	10.71
Current Portion of Notes Payable	6.09	9.74	14.37
Accrued Payroll Taxes	.39	.19	.19
Accrued Other Taxes	1.76	1.85	2.02
Other Accrued Expenses	2.01	2.33	3.92
Other Current Liabilities	3.34	3.46	1.06
Total Current Liabilities	29.84	34.77	32.27
Notes Due Partners/Officers	1.41	2.08	2.02
Mortgage Payable	3.52	2.24	
Long Term Debt	19.20	13.40	12.63
Other Long Term Liabilities	.12	1.05	1.68
Total Long Term Liabilities	24.25	18.77	
Total Liabilities	54.09	53.54	48.60
Net Worth	45.91	46.46	51.40
Total Liabilities And Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	18.72%	9.42%	12.85%
Active Owner's Return	33.15%	23.86%	26.56%
Current Asset Ratio	2.46x	2.09x	2.10x
Quick Asset Ratio	.97x	.93x	1.00x
Total Debt to Tangible Net Worth	117.84%	115.25%	94.56%
Stock Turn Times	4.84x	4.71x	5.16x
Sales to Inventory Ratio	6.63x	6.28x	7.36x
Average Inventory per Sq. Ft. Sales Area	$41.30	$34.79	$18.61
Net Sales to Accounts Receivable	11.65x	9.52x	9.41x
Net Sales to Total Assets	2.87x	2.46x	2.17x
Net Sales to Net Worth	6.25x	5.31x	4.23x
Net Sales to Net Working Capital	4.09x	3.55x	6.10x

Other Operating Data

Credit Sales — % of Total Gross Sales	44.97%	64.27%	45.91%
Consumer Sales — % of Total Gross Sales	53.63%	52.09%	49.72%
Selling Area — Square Feet	11,635	16,156	25,045
Sales Per Square Foot — Selling Area	$248.86	$249.40	$189.42
Total Area — Square Feet	31,431	46,875	39,560
Sales Per Square Foot — Total Area	$84.61	$84.62	$108.21
Sales Per Person Employed	$142,019	$137,705	$132,311
Sales Per Customer	$26.94	$35.19	$47.61

Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber/ Building Materials Outlet	Organized As A Home Center
Number of Stores	22	74	10
Net Sales Volume	$2,187,945	$4,088,689	$2,759,069
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ 7.58%	+14.99%	+ 6.32%
Gross Sales	101.91%	102.25%	100.72%
Less: Total Deductions	1.91	2.25	.72
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	69.39	73.62	67.63
Margin Before Purchase Rebate or Patronage Dividend	30.61	26.38	32.37
Purchase Rebate or Patronage Dividend	.07	.19	.23
Margin After Purchase Rebate or Patronage Dividend	30.68	26.57	32.61
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.18	2.91	1.50
Salaries/Wages — Other Employees	11.24	9.18	13.11
Federal and State Payroll Taxes	.88	1.04	1.46
Group Insurance	.34	.55	.24
Benefit Plans	.42	.51	.79
Total Payroll and Other Employee Expense	15.05	14.18	17.10
Occupancy Expense			
Heat, Light, Power, Water	.96	.53	1.10
Building Repairs and Maintenance	.31	.36	.46
Rent or Ownership in Real Estate**	4.08	1.84	3.51
Total Occupancy Expense	5.35	2.73	5.08
Other Costs of Doing Business			
Advertising and Promotion	1.64	1.72	2.31
Insurance (Other Than Real Estate or Group)	.71	.59	.50
Taxes (Other Than Real Estate or Payroll)	.47	.30	2.00
Interest (Other Than Real Estate)	.89	.97	1.14
Depreciation (Other Than Real Estate)	.70	.81	1.04
All Other Expenses	3.75	3.67	3.46
Total Other Costs of Doing Business	8.16	8.07	10.44
Total Operating Expenses	28.56	24.98	32.63
Operating Profit or Loss	2.12	1.58	- .02
Other Income	1.99	1.57	1.59
Net Operating Profit or Loss (Before Income Taxes)	4.11	3.15	1.57
Financial Performance			
Profit on Investment	16.06%	18.30%	17.93%
Active Owner's Return	24.57%	35.20%	35.07%
Current Asset Ratio	3.15x	2.23x	1.91x
Quick Asset Ratio	1.21x	1.06x	.45x
Total Debt to Tangible Net Worth	70.35%	113.82%	206.82%
Stock Turn Times	3.97x	5.42x	4.84x
Sales to Inventory Ratio	5.72x	7.36x	7.16x
Average Inventory per Sq. Ft. Sales Area	$34.23	$33.69	$21.88
Net Sales to Accounts Receivable	16.90x	9.63x	26.93x
Net Sales to Total Assets	2.30x	2.72x	3.73x
Net Sales to Net Worth	3.91x	5.81x	11.43x
Net Sales to Net Working Capital	3.56x	3.87x	5.28x
Other Operating Data			
Credit Sales — % of Total Gross Sales	82.60%	46.03%	43.88%
Consumer Sales — % of Total Gross Sales	56.59%	49.59%	82.07%
Selling Area — Square Feet	14,091	15,105	19,914
Sales Per Square Foot — Selling Area	$155.27	$270.68	$138.55
Total Area — Square Feet	28,386	39,989	33,321
Sales Per Square Foot — Total Area	$75.46	$95.86	$82.80
Sales Per Person Employed	$111,574	$154,385	$88,716
Sales Per Customer	$17.82	$44.76	$27.88

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Trade Area Size

Income Statement Data	**Metropolitan Statistical Areas**	**Cities 10,000 To 50,000 Pop.**	**Towns Under 10,000 Pop.**
Number of Stores	35	39	51
Net Sales Volume	$4,185,603	$3,238,235	$3,011,682
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+16.64%	+ 6.98%	+10.67%
Gross Sales	100.57%	101.94%	103.38%
Less: Total Deductions	.57	1.94	3.38
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.15	71.95	73.63
Margin Before Purchase Rebate or Patronage Dividend	27.85	28.05	26.37
Purchase Rebate or Patronage Dividend	.09	.37	.12
Margin After Purchase Rebate or Patronage Dividend	27.94	28.42	26.49
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.96	2.41	1.55
Salaries/Wages — Other Employees	8.55	11.47	9.75
Federal and State Payroll Taxes	1.04	1.09	1.12
Group Insurance	.49	.63	.48
Benefit Plans	.47	.57	.46
Total Payroll and Other Employee Expense	14.52	16.16	13.36
Occupancy Expense			
Heat, Light, Power, Water	.53	.73	.68
Building Repairs and Maintenance	.25	.33	.46
Rent or Ownership in Real Estate**	1.65	2.35	2.60
Total Occupancy Expense	2.44	3.41	3.75
Other Costs of Doing Business			
Advertising and Promotion	1.37	1.87	2.06
Insurance (Other Than Real Estate or Group)	.62	.64	.57
Taxes (Other Than Real Estate or Payroll)	.47	.68	.36
Interest (Other Than Real Estate)	1.22	1.13	.81
Depreciation (Other Than Real Estate)	.98	.86	.63
All Other Expenses	3.85	3.79	3.70
Total Other Costs of Doing Business	8.52	8.98	8.12
Total Operating Expenses	25.48	28.54	25.24
Operating Profit or Loss	2.47	- .12	1.25
Other Income	.78	1.54	2.36
Net Operating Profit or Loss (Before Income Taxes)	3.25	1.42	3.61
Financial Performance			
Profit on Investment	18.99%	8.31%	18.72%
Active Owner's Return	42.18%	22.41%	26.78%
Current Asset Ratio	2.04x	2.24x	2.60x
Quick Asset Ratio	1.01x	.90x	1.06x
Total Debt to Tangible Net Worth	129.55%	112.20%	95.34%
Stock Turn Times	4.93x	4.91x	4.90x
Sales to Inventory Ratio	6.83x	6.82x	6.66x
Average Inventory per Sq. Ft. Sales Area	$35.32	$29.23	$35.79
Net Sales to Accounts Receivable	8.41x	13.28x	12.61x
Net Sales to Total Assets	2.55x	2.76x	2.65x
Net Sales to Net Worth	5.85x	5.85x	5.18x
Net Sales to Net Working Capital	3.50x	4.03x	4.08x
Other Operating Data			
Credit Sales — % of Total Gross Sales	63.32%	52.45%	40.30%
Consumer Sales — % of Total Gross Sales	36.68%	57.10%	61.32%
Selling Area — Square Feet	16,443	17,354	12,278
Sales Per Square Foot — Selling Area	$254.55	$186.59	$245.28
Total Area — Square Feet	43,771	36,900	28,642
Sales Per Square Foot — Total Area	$85.11	$79.97	$103.45
Sales Per Person Employed	$160,901	$118,147	$144,076
Sales Per Customer	$38.88	$24.90	$34.53

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Store Location: Part I

Income Statement Data	**Downtown**	**Suburban**	**Rural**
Number of Stores	27	75	14
Net Sales Volume	$3,319,216	$3,753,279	$2,258,221
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ 9.40%	+13.72%	+ 8.37%
Gross Sales	101.45%	102.20%	102.30%
Less: Total Deductions	1.45	2.20	2.30
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.74	73.18	71.98
Margin Before Purchase Rebate or Patronage Dividend	28.26	26.82	28.02
Purchase Rebate or Patronage Dividend	.11	.18	.27
Margin After Purchase Rebate or Patronage Dividend	28.37	27.00	28.29
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.88	2.34	2.52
Salaries/Wages — Other Employees	9.72	9.68	10.49
Federal and State Payroll Taxes	1.13	1.06	1.40
Group Insurance	.56	.55	.45
Benefit Plans	.65	.43	.72
Total Payroll and Other Employee Expense	15.95	14.06	15.57
Occupancy Expense			
Heat, Light, Power, Water	.58	.64	.59
Building Repairs and Maintenance	.41	.32	.48
Rent or Ownership in Real Estate**	2.12	2.08	2.53
Total Occupancy Expense	3.12	3.05	3.59
Other Costs of Doing Business			
Advertising and Promotion	1.52	1.86	1.65
Insurance (Other Than Real Estate or Group)	.49	.60	.82
Taxes (Other Than Real Estate or Payroll)	.43	.51	.34
Interest (Other Than Real Estate)	1.16	.99	.95
Depreciation (Other Than Real Estate)	.64	.87	.82
All Other Expenses	4.35	3.69	3.16
Total Other Costs of Doing Business	8.60	8.52	7.76
Total Operating Expenses	27.67	25.62	26.92
Operating Profit or Loss	.70	1.38	1.37
Other Income	1.62	1.51	2.19
Net Operating Profit or Loss (Before Income Taxes)	2.32	2.89	3.56
Financial Performance			
Profit on Investment	10.73%	18.62%	14.30%
Active Owner's Return	28.69%	33.74%	24.40%
Current Asset Ratio	2.42x	2.13x	2.55x
Quick Asset Ratio	1.04x	.95x	.99x
Total Debt to Tangible Net Worth	88.56%	130.85%	77.68%
Stock Turn Times	4.29x	5.31x	3.88x
Sales to Inventory Ratio	5.98x	7.26x	5.39x
Average Inventory per Sq. Ft. Sales Area	$35.06	$32.50	$30.49
Net Sales to Accounts Receivable	11.01x	10.51x	10.94x
Net Sales to Total Assets	2.15x	2.79x	2.26x
Net Sales to Net Worth	4.63x	6.45x	4.02x
Net Sales to Net Working Capital	3.53x	4.05x	3.31x
Other Operating Data			
Credit Sales — % of Total Gross Sales	72.98%	44.20%	44.28%
Consumer Sales — % of Total Gross Sales	44.65%	52.95%	60.75%
Selling Area — Square Feet	14,881	15,458	13,536
Sales Per Square Foot — Selling Area	$223.05	$242.81	$166.83
Total Area — Square Feet	59,581	29,665	30,753
Sales Per Square Foot — Total Area	$51.55	$123.81	$67.19
Sales Per Person Employed	$111,502	$146,462	$113,316
Sales Per Customer	$37.56	$33.51	$28.81

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Store Location: Part II

		Free-Standing	
Income Statement Data	**Shopping Centers**	**No Stores Adjacent**	**Stores Nearby**
Number of Stores	14	35	69
Net Sales Volume	$1,940,927	$3,596,999	$3,740,418
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+ 8.01%	+ 8.11%	+13.80%
Gross Sales	102.89%	101.62%	102.07%
Less: Total Deductions	2.89	1.62	2.07
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	68.08	75.19	72.04
Margin Before Purchase Rebate or Patronage Dividend	31.92	24.81	27.96
Purchase Rebate or Patronage Dividend	.30	.22	.13
Margin After Purchase Rebate or Patronage Dividend	32.21	25.03	28.09
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.34	2.30	2.78
Salaries/Wages — Other Employees	11.65	9.26	9.83
Federal and State Payroll Taxes	1.40	1.09	1.08
Group Insurance	.63	.52	.53
Benefit Plans	.29	.44	.54
Total Payroll and Other Employee Expense	17.30	13.61	14.75
Occupancy Expense			
Heat, Light, Power, Water	1.10	.56	.63
Building Repairs and Maintenance	.30	.27	.41
Rent or Ownership in Real Estate**	4.10	1.23	2.35
Total Occupancy Expense	5.51	2.06	3.38
Other Costs of Doing Business			
Advertising and Promotion	2.68	1.47	1.77
Insurance (Other Than Real Estate and Group)	.64	.59	.59
Taxes (Other Than Real Estate and Payroll)	.06	.45	.53
Interest (Other Than Real Estate)	1.36	1.26	.88
Depreciation (Other Than Real Estate)	1.06	.74	.82
All Other Expenses	3.85	3.75	3.75
Total Other Costs of Doing Business	9.66	8.27	8.34
Total Operating Expenses	32.47	23.94	26.47
Operating Profit or Loss	- .26	1.09	1.62
Other Income	1.34	1.54	1.65
Net Operating Profit or Loss (Before Income Taxes)	1.08	2.63	3.27
Financial Performance			
Profit on Investment	5.68%	13.29%	18.99%
Active Owner's Return	23.24%	24.88%	35.17%
Current Asset Ratio	2.80x	2.30x	2.19x
Quick Asset Ratio	.61x	1.16x	.96x
Total Debt to Tangible Net Worth	119.92%	110.86%	107.51%
Stock Turn Times	3.32x	5.03x	5.25x
Sales to Inventory Ratio	4.88x	6.68x	7.28x
Average Inventory per Sq. Ft. Sales Area	$27.41	$35.29	$30.71
Net Sales to Accounts Receivable	23.26x	8.53x	11.38x
Net Sales to Total Assets	2.39x	2.39x	2.80x
Net Sales to Net Worth	5.26x	5.05x	5.81x
Net Sales to Net Working Capital	3.88x	3.29x	4.19x
Other Operating Data			
Credit Sales — % Total Gross Sales	45.21%	57.49%	42.86%
Consumer Sales — % of Total Gross Sales	74.96%	47.71%	51.98%
Selling Area — Square Feet	16,367	14,346	15,433
Sales Per Square Foot — Selling Area	$118.59	$250.74	$242.36
Total Area — Square Feet	31,222	39,537	37,963
Sales Per Square Foot — Total Area	$62.16	$87.35	$95.42
Sales Per Person Employed	$102,540	$144,379	$139,408
Sales Per Customer	$11.65	$33.01	$42.34

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Number of Stores

Income Statement Data	Single Store Business	2-4 Stores	5 Stores Or More
Number of Stores	64	23	40
Net Sales Volume	$3,406,289	$2,683,961	$3,839,776
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+ 8.20%	+ 3.14%	+19.09%
Gross Sales	102.66%	100.31%	101.62%
Less: Total Deductions	2.66	.31	1.62
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.93	69.98	71.85
Margin Before Purchase Rebate or Patronage Dividend	26.07	30.02	28.15
Purchase Rebate or Patronage Dividend	.23	.30	.06
Margin After Purchase Rebate or Patronage Dividend	26.31	30.33	28.21
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.30	2.25	3.28
Salaries/Wages — Other Employees	10.13	11.54	8.92
Federal and State Payroll Taxes	.99	1.40	1.06
Group Insurance	.53	.62	.48
Benefit Plans	.50	.54	.45
Total Payroll and Other Employee Expense	14.45	16.36	14.19
Occupancy Expense			
Heat, Light, Power, Water	.54	.98	.65
Building Repairs and Maintenance	.27	.55	.37
Rent or Ownership in Real Estate**	2.25	1.87	2.22
Total Occupancy Expense	3.06	3.41	3.23
Other Costs of Doing Business			
Advertising and Promotion	1.55	1.76	2.05
Insurance (Other Than Real Estate or Group)	.62	.69	.57
Taxes (Other Than Real Estate or Payroll)	.34	1.50	.33
Interest (Other Than Real Estate)	.95	1.30	1.03
Depreciation (Other Than Real Estate)	.83	.80	.81
All Other Expenses	3.75	3.84	3.80
Total Other Costs of Doing Business	8.04	9.90	8.57
Total Operating Expenses	25.55	29.67	26.00
Operating Profit or Loss	.76	.66	2.22
Other Income	1.95	1.24	1.16
Net Operating Profit or Loss (Before Income Taxes)	2.71	1.90	3.37
Financial Performance			
Profit on Investment	13.74%	8.95%	24.01%
Active Owner's Return	25.43%	19.59%	47.34%
Current Asset Ratio	2.45x	2.34x	2.02x
Quick Asset Ratio	1.11x	.96x	.86x
Total Debt to Tangible Net Worth	93.24%	96.64%	151.80%
Stock Turn Times	4.98x	4.31x	5.13x
Sales to Inventory Ratio	6.73x	6.17x	7.14x
Average Inventory Per Sq. Ft. Sales Area	$33.26	$24.76	$36.57
Net Sales to Accounts Receivable	10.47x	13.06x	10.92x
Net Sales to Total Assets	2.63x	2.40x	2.83x
Net Sales to Net Worth	5.07x	4.72x	7.12x
Net Sales to Net Working Capital	3.70x	3.63x	4.21x
Other Operating Data			
Credit Sales — % of Total Gross Sales	61.10%	47.62%	25.99%
Consumer Sales — % of Total Gross Sales	50.73%	60.23%	51.21%
Selling Area — Square Feet	15,210	16,309	14,088
Sales per Square Foot — Selling Area	$223.95	$164.57	$272.57
Total Area — Square Feet	35,255	34,565	35,175
Sales per Square Foot — Total Area	$87.14	$77.65	$101.29
Sales per Person Employed	$134,458	$89,483	$165,864
Sales per Customer	$29.46	$27.69	$40.25

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Store Orientation

Income Statement Data	**Contractor Oriented**	**Consumer Oriented**
Number of Stores	52	75
Net Sales Volume	$4,052,662	$2,967,816
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+14.49%	+ 8.68%
Gross Sales	101.64%	102.26%
Less: Total Deductions	1.64	2.26
Net Sales	100.00%	100.00%
Cost of Goods Sold	72.86	72.41
Margin Before Purchase Rebate or Patronage Dividend	27.14	27.59
Purchase Rebate or Patronage Dividend	.14	.23
Margin After Purchase Rebate or Patronage Dividend	27.28	27.82
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	3.20	2.11
Salaries/Wages — Other Employees	9.26	10.51
Federal and State Payroll Taxes	.99	1.15
Group Insurance	.59	.47
Benefit Plans	.53	.45
Total Payroll and Other Employee Expense	14.58	14.68
Occupancy Expense		
Heat, Light, Power, Water	.46	.81
Building Repairs and Maintenance	.28	.41
Rent or Ownership in Real Estate**	1.78	2.57
Total Occupancy Expense	2.52	3.78
Other Costs of Doing Business		
Advertising and Promotion	1.24	2.25
Insurance (Other Than Real Estate or Group)	.60	.62
Taxes (Other Than Real Estate or Payroll)	.41	.59
Interest (Other Than Real Estate)	1.19	.88
Depreciation (Other Than Real Estate)	.99	.65
All Other Expenses	3.87	3.67
Total Other Costs of Doing Business	8.30	8.67
Total Operating Expenses	25.40	27.14
Operating Profit or Loss	1.87	.68
Other Income	1.51	1.62
Net Operating Profit or Loss (Before Income Taxes)	3.39	2.30

Financial Performance

Profit on Investment	18.84%	12.88%
Active Owner's Return	36.66%	24.70%
Current Asset Ratio	2.11x	2.49x
Quick Asset Ratio	1.02x	.96x
Total Debt to Tangible Net Worth	119.51%	101.11%
Stock Turn Times	4.89x	4.96x
Sales to Inventory Ratio	6.70x	6.85x
Average Inventory Per Sq. Ft. Sales Area	$40.91	$27.78
Net Sales to Accounts Receivable	8.39x	15.35x
Net Sales to Total Assets	2.53x	2.79x
Net Sales to Net Worth	5.56x	5.60x
Net Sales to Net Working Capital	3.51x	4.25x

Other Operating Data

Credit Sales — % of Total Gross Sales	72.25%	34.01%
Consumer Sales — % of Total Gross Sales	30.87%	69.95%
Selling Area — Square Feet	14,502	15,439
Sales per Square Foot — Selling Area	$279.46	$192.23
Total Area — Square Feet	43,463	29,310
Sales per Square Foot — Total Area	$84.48	$95.50
Sales per Person Employed	$154,793	$126,711
Sales per Customer	$57.36	$25.29

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Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0} = 15.8\%$
Hand Tools	$\frac{10.0}{95.0} = 10.5\%$
Paint & Home Decorating	$\frac{20.0}{95.0} = 21.1\%$
Building Materials	$\frac{50.0}{95.0} = 52.6\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 2.10 which means $2.10 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

	Handling Firms Only					Average Store Profile		
Department	% Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	% of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	8.9	8.8	13.2	155.21	8.9	8.8	13.2
Hand Tools	100.0	3.1	3.8	3.4	170.87	3.1	3.8	3.4
Power Tools & Accessories	100.0	3.8	3.6	3.7	203.09	3.8	3.6	3.7
Plumbing, Heating & Cooling	100.0	5.8	8.4	7.1	151.23	5.8	8.4	7.1
Electrical Supplies	100.0	4.3	6.0	4.9	142.74	4.3	6.0	4.9
Paint & Home Decorating	100.0	6.0	12.8	6.8	127.01	6.0	12.8	6.8
Lumber	89.3	30.4	13.9	27.9	490.75	28.7	13.5	23.2
Building Materials	95.5	27.4	19.6	26.6	399.08	25.9	18.9	23.9
Lawn & Garden	89.3	5.6	6.4	5.8	163.40	4.9	5.5	4.7
Housewares	46.4	4.0	19.2	6.4	58.15	1.2	7.5	2.1
Automotive Supplies	40.2	2.0	5.4	3.5	90.39	.5	1.9	1.3
Major Appliances & Home Entertainment	22.3	6.1	8.5	5.9	121.28	1.2	2.1	1.1
Sporting Goods & Outdoor Living	27.7	2.4	4.4	2.7	NA	.4	1.4	.5
Miscellaneous Goods	75.0	8.0	7.6	5.5	247.16	5.3	5.8	4.1
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	37.2	5.5	2.06
Hand Tools	34.6	6.0	2.07
Power Tools & Accessories	29.6	5.6	1.66
Plumbing, Heating & Cooling	35.5	5.0	1.79
Electrical Supplies	36.4	5.3	1.94
Paint & Home Decorating	35.5	6.2	2.19
Lumber	23.4	9.4	2.20
Building Materials	25.1	8.7	2.18
Lawn & Garden	31.6	6.6	2.10
Housewares	27.5	3.5	.95
Automotive Supplies	24.6	3.4	.85
Major Appliances & Home Entertainment	20.9	4.8	1.00
Sporting Goods & Outdoor Living	24.5	3.4	.85
Miscellaneous Goods	30.6	8.6	2.65

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Increase Profits With SALES TRAINING

Employees educated in sales and customer relations skills will provide service that results in high sales and increased profits. Now you can train your employees to sell and assist customers effectively on a limited budget.

The new NRHA video training series, "Selling Skills and Customer Relations," is both effective *and* inexpensive. This new series is based on videotaped instruction by the industry's top trainer, Bill Sharp, and has student workbooks to increase employee participation. It can be used for individual study or for group training sessions.

Each of the nine video modules contains actual selling situations and demonstrates problem solving activities right on the sales floor. The nine lessons, each about one hour long, are:

☐ Psychology and benefits of selling
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☐ Probing questions
☐ Dealing with angry customers
☐ Presentation and demonstration
☐ Overcoming objections
☐ Closing the sale
☐ Add-on or suggestion selling
☐ Telephone courtesy and sales

As each employee completes the course, you will send his or her final test to NRHA for grading, correction and issuing a certificate of completion.

This educational program is available to association members for only $395 for the complete package of video tapes, five workbooks and one Leader's Guide. Extra workbooks are only $10 each. Choose from VHS and Beta format.

Give your employees the advantage of the best available sales training on the market today. Give yourself the opportunity to increase do-it-yourself sales today!

NRHA National Retail Hardware Association
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Circle one: VHS Beta

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City, State, Zip ________________

Phone (___)________________ P.O. number ________

GET THE FACTS

Today's do-it-yourself retailer cannot rely on "seat of the pants" judgment when making critical marketing and planning decisions.

NRHA's Marketing Research Department has assisted hundreds of hardware, home center, and lumber building material retailers in better penetrating the do-it-yourself market through the development of stronger, more effective marketing plans.

You need the answers to questions concerning your image, market potential, expansion, new store development, site location, advertising, future markets before making critical marketing plans.

Before you plan — Get the Facts!

Contact: Retail Consulting Services
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THE 1987 PROFIT REPORT

For DIY Lumberyards

NRHA National Retail Hardware Association
Comprised of twenty-one regional and state hardware associations and Canada

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August 31, 1987

To Retailers Serving Do-It-Yourself Consumers:

Every year National Retail Hardware Association undertakes a major research project that provides details on the innermost workings of stores just like yours.

The results give margin and expense figures that allow any retailer to compare his own store with stores like his, and find the areas that hold the most opportunity to increase profit and return on investment.

Again this year the association has completed this project with research among three different types of "do-it-yourself" retailer outlets--hardware stores, home centers, and lumber-building material outlets.

Fortunately, ours is not an industry with extreme annual fluctuations in store performance. However, there are continual changes that provide an "early warning" to the direction in which our industry is moving.

On an individual store basis, it is most important that these reports allow you to see how well you are doing in comparisons with other stores, to see where your performance ranks in the whole spectrum of stores like yours.

It is not enough to be "better than average" in an industry where average performance is unacceptable. Look at figures in comparison with the "high profit" stores, and see if you are in this category.

If not, by examining the comparative figures in detail you can spot those areas where improved performance can best improve profitability and return on investment.

If you provided financial data to NRHA to support this study, you have already received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If you did not take part this year, plan to do so in 1988 to get this helpful report.

NRHA is deeply indebted to all retailers who provided the information that makes this study possible.

Very truly yours,

DAVID LOVING
Managing Director

DL/dc

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Prepared By:

Marketing Research Department

Introduction

THE PROFIT REPORT

The 1987 Profit Report presents financial operating data for consumer oriented lumber and building materials retailers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives:

- To assess financial performance of lumber/building materials operations in 1986
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling lumber/building materials retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail lumber/building material industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends for 1982 through 1986; The Strategic Profit Model; Average Operating Results for 1986; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Profit Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average outlet. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Outlet

Many factors influence a lumber/building materials outlet's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets
—Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the retail lumber/building materials men and women who provide detailed information on their operations. Questionnaires were sent to lumber/building materials operators in February 1987. Three hundred and twenty-three usable returns were received by June 15, 1987 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each lumber/building materials operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to the The Profit Report are The Management Report for retail hardware stores and The Bottom Line for home centers.

For Assistance

Assistance and aid in interpreting The 1987 Profit Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.

Historical Trends

	ALL DIY LUMBER OUTLETS FISCAL YEAR				
Income Statement Data	**1986**	**1985**	**1984**	**1983**	**1982**
Net Sales Volume	$1,993,028	$2,069,693	$1,680,266	$1,243,862	$1,292,917
Gross Sales	102.41%	102.03%	101.87%	102.27%	101.66%
Less: Total Deductions	2.41	2.03	1.87	2.27	1.66
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.31	74.50	74.37	73.99	73.60
Margin Before Purchase Rebate or Patronage Dividend	25.69	25.50	25.63	26.01	26.40
Purchase Rebate or Patronage Dividend	.14	.14	.14	.16	.13
Margin After Purchase Rebate or Patronage Dividend	25.83	25.64	25.77	26.17	26.53
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.87	2.98	3.84	3.79	4.32
Salaries/Wages — Other Employees	9.57	9.08	8.23	8.89	9.37
Federal and State Payroll Taxes	1.08	.96	1.01	1.00	1.06
Group Insurance	.44	.46	.56	.59	.56
Benefit Plans	.68	.51	.47	.50	.54
Total Payroll and Other Employee Expense	14.65	13.99	14.11	14.77	15.85
Occupancy Expense					
Heat, Light, Power, Water	.48	.40	.45	.43	.57
Building Repairs and Maintenance	.22	.11	.34	.31	.23
Rent or Ownership in Real Estate**	1.58	1.83	1.89	2.01	2.24
Total Occupancy Expense	2.28	2.34	2.68	2.75	3.04
Other Costs of Doing Business					
Advertising and Promotion	1.09	.95	.79	1.01	1.13
Insurance (Other than Real Estate or Group)	.64	.60	.48	.49	.62
Taxes (Other than Real Estate and Payroll)	.34	.30	.29	.39	.38
Interest (Other than Real Estate)	.96	.90	1.13	1.11	1.58
Depreciation (Other than Real Estate)	.72	.70	.67	.71	.69
All Other Expenses	3.56	4.48	3.60	3.72	4.26
Total Other Costs of Doing Business	7.31	7.93	6.96	7.43	8.66
Total Operating Expenses	24.24	24.26	23.75	24.95	27.55
Operating Profit or Loss	1.60	1.38	2.02	1.22	-1.02
Other Income	1.71	1.81	1.58	1.92	2.21
Net Operating Profit or Loss (Before Income Taxes)	3.31	3.19	3.60	3.14	1.19

Financial Performance

Profit on Investment	15.60%	14.78%	15.99%	13.81%	4.63%
Active Owner's Return	29.15%	28.57%	33.01%	30.51%	21.50%
Current Asset Ratio	2.96x	2.51x	2.62x	2.68x	2.79x
Quick Asset Ratio	1.42x	1.23x	1.27x	1.16x	1.31x
Total Debt to Tangible Net Worth	82.93%	80.57%	83.69%	99.75%	93.27%
Stock Turn Times	4.73x	5.05x	4.56x	3.99x	3.73x
Sales to Inventory Ratio	6.36x	6.77x	6.13x	5.39x	5.07x
Average Inventory per Sq. Ft. Sales Area	$56.57	$93.23	$83.66	$93.64	$100.20
Net Sales to Accounts Receivable	10.70x	9.39x	9.27x	9.84x	9.32x
Net Sales to Total Assets	2.58x	2.56x	2.41x	2.20x	2.02x
Net Sales to Net Worth	4.72x	4.62x	4.44x	4.40x	3.91x
Net Sales to Net Working Capital	3.41x	5.68x	5.03x	4.60x	4.17x

Other Operating Data

Credit Sales — % of Total Gross Sales	71.16%	69.95%	76.14%	67.60%	65.96%
Consumer Sales — % of Total Gross Sales	40.61%	45.49%	54.36%	55.68%	58.86%
Selling Area — Square Feet	5,341	4,273	4,208	3,989	4,209
Sales Per Square Foot — Selling Area	$347.23	$448.70	$409.61	$311.82	$307.18
Total Area — Square Feet	20,243	16,321	17,598	18,550	16,788
Sales Per Square Foot — Total Area	$87.28	$138.17	$85.39	$67.05	$77.01
Sales Per Person Employed	$144,238	$131,436	$138,073	$110,591	$97,559
Sales Per Customer	$59.22	$87.52	$67.78	$71.45	$64.16

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	5.4%	7.8%	9.6%	9.6%	9.8%	$129.61	$136.03	$138.64	$162.07	$123.38
Hand Tools	1.7	2.4	2.0	2.3	1.9	126.80	126.86	143.07	134.79	95.68
Power Tools & Accessories	1.4	1.5	1.7	1.8	1.3	139.12	157.69	144.61	125.14	105.09
Plumbing, Heating & Cooling	2.4	3.8	5.0	4.7	4.6	131.30	156.64	198.75	222.30	138.67
Electrical Supplies	1.6	2.4	3.4	3.0	2.8	138.15	149.06	177.62	176.09	69.08
Paint & Home Decorating	5.6	6.2	5.9	6.3	7.9	136.64	172.86	174.12	168.93	134.53
Lumber	39.7	34.5	32.6	32.5	27.2	1,237.46	986.83	769.[illegible]	796.75	NA
Building Materials	38.3	31.4	33.3	32.7	39.7	833.91	719.64	606.85	405.29	454.44
Lawn & Garden	1.0	1.6	1.3	1.5	1.3	172.61	130.32	175.27	173.68	121.01
Housewares	.3	.4	.6	.4	.3	94.52	95.61	92.33	156.68	102.39
Automotive Supplies	.1	.1	.1	.1	.1	98.65	98.13	133.28	112.92	167.22
Major Appliances & Home Entertainment	.1	.5	1.0	.7	.6	81.24	116.51	65.30	112.87	266.53
Sporting Goods & Outdoor Living	.1	.8	.2	.3	.1	NA	NA	97.67	162.96	67.97
Miscellaneous Goods	2.3	6.6	3.3	4.1	2.4	207.68	161.27	173.25	434.53	223.92

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	4.3x	3.8x	3.4x	3.4x	3.6x	$1.66	$1.43	$1.13	$1.12	$1.14
Hand Tools	4.2	4.1	4.0	3.6	3.2	1.48	1.44	1.22	1.12	1.01
Power Tools & Accessories	3.7	4.1	3.8	4.0	3.5	1.19	1.28	.94	1.13	1.04
Plumbing, Heating & Cooling	3.5	3.9	4.1	3.6	3.8	1.24	1.32	1.24	.99	1.20
Electrical Supplies	4.0	3.7	5.2	3.3	3.5	1.49	1.32	1.72	1.10	1.07
Paint & Home Decorating	4.4	4.2	4.5	3.8	4.0	1.52	1.45	1.34	1.21	1.33
Lumber	8.8	7.3	6.5	6.5	6.2	2.05	1.73	1.56	1.65	1.66
Building Materials	8.2	7.5	7.1	6.1	5.7	2.21	1.98	1.98	1.66	1.56
Lawn & Garden	5.0	4.9	5.0	3.8	3.7	1.58	1.64	1.33	1.14	1.07
Housewares	2.0	3.7	2.3	2.3	3.7	.56	1.21	.52	.54	1.00
Automotive Supplies	5.1	3.0	2.3	2.1	3.8	1.37	.87	.68	.71	1.17
Major Appliances & Home Entertainment	3.0	4.7	2.6	4.1	3.8	.39	.96	.69	1.04	.98
Sporting Goods & Outdoor Living	2.9	NA	2.6	3.9	4.5	.91	—	.73	.83	.85
Miscellaneous Goods	8.8	6.3	8.0	4.4	4.7	2.78	1.76	2.16	1.25	1.42

**Average DIY Lumber Outlet

Monthly Sales

Month	1986	1985	1984	1983	1982
January	5.7	6.2	6.1	5.7	6.1
February	5.1	5.6	5.8	5.3	5.6
March	6.3	7.0	6.7	6.6	6.9
April	8.3	8.8	8.2	8.0	8.3
May	9.5	9.8	9.9	9.4	9.6
June	9.3	9.4	10.1	10.1	9.4
July	10.1	9.3	9.2	9.4	9.2
August	10.0	9.2	9.1	9.3	9.0
September	10.1	8.5	8.5	8.9	8.9
October	10.3	9.0	8.8	9.1	9.2
November	8.2	8.4	8.5	8.6	8.5
December	7.1	8.8	9.1	9.6	9.3

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

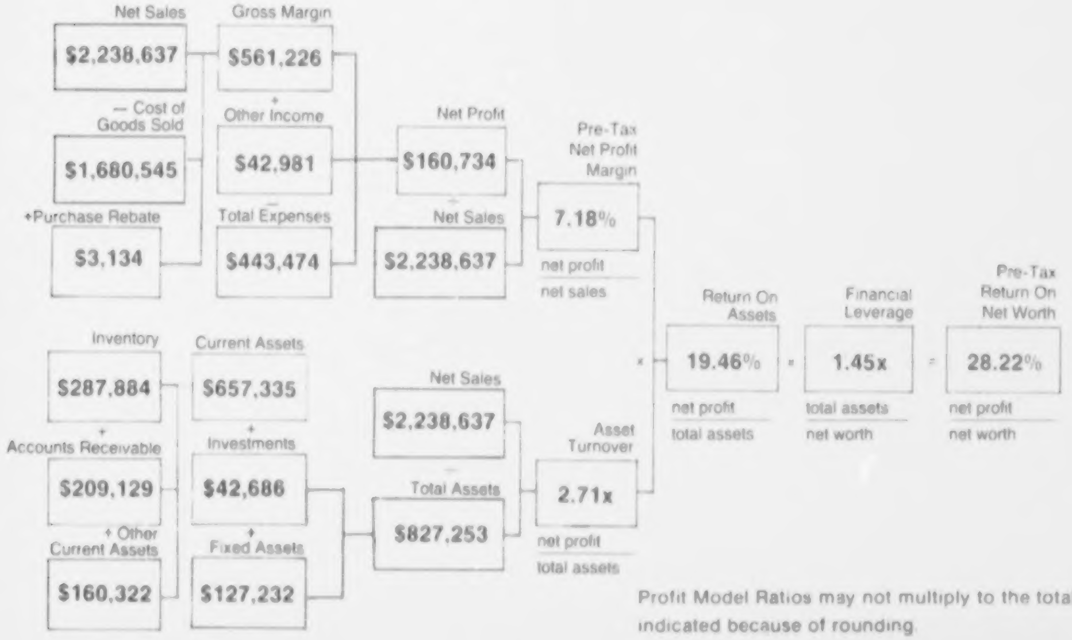
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Outlets


Net Sales
$2,238,637
— Cost of Goods Sold
$1,680,545
+Purchase Rebate
$3,134
Gross Margin
$561,226
+
Other Income
$42,981
—
Total Expenses
$443,474
Net Profit
$160,734
÷
Net Sales
$2,238,637
Pre-Tax Net Profit Margin
7.18%
net profit
net sales
Inventory
$287,884
+
Accounts Receivable
$209,129
+ Other Current Assets
$160,322
Current Assets
$657,335
+
Investments
$42,686
+
Fixed Assets
$127,232
Net Sales
$2,238,637
÷
Total Assets
$827,253
Asset Turnover
2.71x
net profit
total assets
x
Return On Assets
19.46%
net profit
total assets
x
Financial Leverage
1.45x
total assets
net worth
=
Pre-Tax Return On Net Worth
28.22%
net profit
net worth

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of DIY Lumber Outlet	1986 Net Sales ($)	Sales Increase Over 1985* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All DIY Lumber Outlets	1,993,028	+10.51	25.83	3.31	15.60	4.73
Low Profit	1,366,215	+ 1.97	26.56	- .85	- 4.33	3.66
High Profit	2,238,637	+16.69	25.06	7.18	28.14	5.90
Sales Volume Size						
Under $500,000	370,394	- .60	29.63	2.19	4.77	2.70
$500,000 to $999,999	806,072	+ 5.38	27.15	2.43	9.54	3.01
$1,000,000 to $1,999,999	1,555,063	+ 8.00	27.27	3.21	12.17	3.60
$2,000,000 or more	3,866,704	+12.66	24.83	3.50	20.40	6.24
Sales Floor Size						
Under 3,000 Sq. Ft.	1,115,577	+ 1.79	26.78	3.03	10.14	4.43
3,000 to 4,999 Sq. Ft.	1,862,723	+13.50	23.52	3.80	17.81	5.58
5,000 Sq. Ft. or more	2,300,507	+10.14	26.52	3.39	16.75	4.56
Trade Area Size						
M.S.A. - Central City	2,468,196	+ 8.98	26.38	3.43	16.19	4.94
M.S.A. - Suburban	2,747,571	- 6.64	30.71	.57	1.97	4.65
Cities - 10,000 to 50,000	2,387,325	+15.21	24.97	4.05	18.48	5.69
Towns Under 10,000	1,527,692	+10.50	25.37	3.23	15.72	4.23
Outlet Location: Part I						
Downtown	1,267,632	+ 8.78	26.81	3.20	12.48	4.21
Suburban	2,547,106	+11.94	25.46	3.41	18.55	5.87
Rural	1,825,004	+ 8.14	26.18	3.26	13.40	3.63
Outlet Location: Part II						
Shopping Centers	2,196,110	+ 6.49	23.45	3.68	23.54	5.26
Free-Standing — No Stores Adjacent	2,161,510	+ 9.42	26.43	3.64	16.21	4.58
Free-Standing — Stores Nearby	1,777,861	+11.43	25.45	2.96	14.49	4.94
Outlet Orientation:						
Consumer-Oriented	2,671,572	+11.51	25.34	3.72	18.91	6.20
Contractor-Orientated	1,413,506	+ 8.26	26.64	3.03	12.17	3.47

*As reported by The Profit Report contributors.

Monthly Sales

	%
January	5.7
February	5.1
March	6.3
April	8.3
May	9.5
June	9.3
July	10.1
August	10.0
September	10.1
October	10.3
November	8.2
December	7.1

All Outlets

Income Statement Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Outlets	323	70	75
Net Sales Volume	$1,993,028	$1,366,215	$2,238,637
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+10.51%	+ 1.97%	+16.69%
Gross Sales	102.41%	101.94%	102.44%
Less: Total Deductions	2.41	1.94	2.44
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.31	73.66	75.07
Margin Before Purchase Rebate or Patronage Dividend	25.69	26.34	24.93
Purchase Rebate or Patronage Dividend	.14	.22	.14
Margin After Purchase Rebate or Patronage Dividend	25.83	26.56	25.06
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.87	3.00	2.42
Salaries/Wages — Other Employees	9.57	11.77	7.74
Federal and State Payroll Taxes	1.08	1.17	.74
Group Insurance	.44	.64	.42
Benefit Plans	.68	.49	.66
Total Payroll and Other Employee Expense	14.65	17.07	11.98
Occupancy Expense			
Heat, Light, Power, Water	.48	.59	.34
Building Repairs and Maintenance	.22	.34	.25
Rent or Ownership in Real Estate**	1.58	2.13	1.34
Total Occupancy Expense	2.28	3.06	1.94
Other Costs of Doing Business			
Office Supplies and Postage	.43	.49	.36
Advertising and Promotion	1.09	1.45	.71
Donations	.05	.04	.05
Telephone and Telegraph	.26	.39	.17
Bad Debts	.48	.57	.35
Credit Card Expense (Bank Charges)	.05	.07	.08
Delivery (Other than Wages)	.80	.97	.67
Leasing Expenses (Non-Occupancy)	.07	.24	.02
Insurance (Other than Real Estate and Group)	.64	.90	.70
Taxes (Other than Real Estate and Payroll)	.34	.54	.40
Interest (Other than Real Estate)	.96	1.54	.40
Depreciation (Other than Real Estate)	.72	.73	.73
Store and Shop Supplies	.13	.22	.16
Legal and Accounting	.29	.44	.21
Computer Services and Expenses (Other than Wages)	.13	.15	.07
Dues and Subscriptions	.06	.10	.05
Travel, Buying, Entertainment	.25	.24	.08
Miscellaneous Services (Laundry, Disposal, Etc.)	.03	.07	.02
Unclassified Expenses	.53	.59	.66
Total Other Costs of Doing Business	7.31	9.74	5.88
Total Operating Expenses	24.24	29.87	19.81
Operating Profit or Loss	1.60	-3.31	5.26
Other Income	1.71	2.46	1.92
Net Operating Profit or Loss (Before Income Taxes)	3.31	- .85	7.18

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

All Outlets

Balance Sheet Data	All DIY Lumber Outlets	Low Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$772,531	$609,810	$827,253
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.60	4.35	12.57
Notes and Installment Contracts Receivable	1.85	1.11	3.97
Accounts Receivable	24.12	22.59	25.28
Merchandise Inventory (End of Year)	40.52	45.38	34.80
Other Current Assets	4.65	1.65	2.84
Total Current Assets	77.75	75.07	79.46
Stocks and Bonds	1.29	2.24	1.68
Real Estate (Not Used In Business)	.76	.29	1.28
Other Investments	4.08	3.69	2.20
Total Investments	6.14	6.22	5.16
Land (Owned and Used In Business)	2.16	3.46	2.08
Buildings (Owned and Used In Business Less Depreciation)	6.15	6.75	5.58
Leasehold Improvements (Less Amortization Allowance)	1.15	1.63	.92
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	3.44	4.29	3.30
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.63	1.91	2.87
Other Fixed Assets	.57	.66	.63
Total Fixed Assets	16.11	18.71	15.38
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.44	13.16	11.45
Current Portion of Notes Payable	6.41	10.83	4.58
Accrued Payroll Taxes	.53	.30	.41
Accrued Other Taxes	1.82	.87	1.73
Other Accrued Expenses	2.85	1.51	3.07
Other Current Liabilities	2.20	3.71	1.75
Total Current Liabilities	26.26	30.38	22.99
Notes Due Partners/Officers	3.01	6.53	2.03
Mortgage Payable	1.70	4.30	1.75
Long Term Debt	12.64	13.60	3.47
Other Long Term Liabilities	1.73	1.19	.74
Total Long Term Liabilities	19.08	25.62	7.98
Total Liabilities	45.34	56.00	30.98
Net Worth	54.66	44.00	69.02
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	15.60%	- 4.33%	28.14%
Active Owner's Return	29.15%	10.97%	37.65%
Current Asset Ratio	2.96x	2.47x	3.46x
Quick Asset Ratio	1.42x	.98x	1.94x
Total Debt to Tangible Net Worth	82.93%	127.26%	44.88%
Stock Turn Times	4.73x	3.66x	5.90x
Sales to Inventory Ratio	6.36x	4.97x	7.86x
Average Inventory per Sq. Ft. Sales Area	$56.57	$53.86	$53.29
Net Sales to Accounts Receivable	10.70x	9.92x	10.71x
Net Sales to Total Assets	2.58x	2.24x	2.71x
Net Sales to Net Worth	4.72x	5.09x	3.92x
Net Sales to Net Working Capital	3.41x	3.14x	3.48x

Other Operating Data

Credit Sales — % of Total Gross Sales	71.16%	68.29%	73.74%
Consumer Sales — % of Total Gross Sales	40.61%	43.94%	34.69%
Selling Area — Square Feet	5,341	4,217	5,172
Sales Per Square Foot — Selling Area	$347.23	$258.57	$423.62
Total Area — Square Feet	20,243	18,566	20,502
Sales Per Square Foot — Total Area	$87.28	$53.61	$106.73
Sales Per Person Employed	$144,238	$120,231	$174,669
Sales Per Customer	$59.22	$38.28	$58.05

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	**Sales Under $500,000**	**$500,000 To $999,999**	**$1,000,000 To $1,999,999**	**Sales $2,000,000 Or More**
Number of Outlets	41	58	123	101
Net Sales Volume	$370,394	$806,072	$1,555,063	$3,866,704
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	- .60%	+5.38%	+8.00%	+12.66%
Gross Sales	101.07%	102.79%	101.87%	102.68%
Less: Total Deductions	1.07	2.79	1.87	2.68
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.62	73.06	72.87	75.30
Margin Before Purchase Rebate or Patronage Dividend	29.38	26.94	27.13	24.70
Purchase Rebate or Patronage Dividend	.25	.21	.14	.13
Margin After Purchase Rebate or Patronage Dividend	29.63	27.15	27.27	24.83
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.69	2.95	3.29	2.55
Salaries/Wages — Other Employees	8.28	10.46	9.97	9.32
Federal and State Payroll Taxes	1.21	1.21	1.24	.98
Group Insurance	.92	.56	.31	.48
Benefit Plans	.43	.36	.76	.69
Total Payroll and Other Employee Expense	16.52	15.54	15.56	14.02
Occupancy Expense				
Heat, Light, Power, Water	1.03	.65	.70	.34
Building Repairs and Maintenance	.31	.16	.19	.23
Rent or Ownership in Real Estate**	3.41	2.24	1.64	1.40
Total Occupancy Expense	4.75	3.06	2.54	1.97
Other Costs of Doing Business				
Office Supplies and Postage	.48	.53	.49	.39
Advertising and Promotion	1.60	1.13	1.50	.86
Donations	.08	.05	.06	.05
Telephone and Telegraph	.37	.39	.24	.25
Bad Debts	.53	.29	.54	.47
Credit Card Expense (Bank Charges)	.02	.04	.03	.06
Delivery (Other Than Wages)	.65	.89	.73	.82
Leasing Expenses (Non-Occupancy)	.01	.15	.06	.07
Insurance (Other Than Real Estate and Group)	.91	1.00	.59	.62
Taxes (Other Than Real Estate and Payroll)	.38	.47	.29	.35
Interest (Other Than Mortgages)	.64	1.18	1.23	.81
Depreciation (Other than Real Estate)	.75	.88	.79	.66
Store and Shop Supplies	.48	.17	.17	.10
Legal and Accounting	.35	.63	.27	.25
Computer Services and Expenses (Other Than Wages)	.00	.14	.11	.14
Dues and Subscriptions	.15	.10	.05	.06
Travel, Buying, Entertainment	.18	.13	.32	.23
Miscellaneous Services (Laundry, Disposal, etc.)	.01	.03	.03	.03
Unclassified Expenses	.65	.56	.41	.58
Total Other Costs of Doing Business	8.24	8.74	7.91	6.80
Total Operating Expenses	29.52	27.34	26.01	22.79
Operating Profit or Loss	.11	- .19	1.26	2.04
Other Income	2.08	2.63	1.95	1.46
Net Operating Profit or Loss (Before Income Taxes)	2.19	2.43	3.21	3.50

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$231,313	$391,525	$697,434	$1,302,484
		% of Total Assets		
Assets				
Cash On Hand and In Bank	10.38	6.96	6.12	6.59
Notes and Installment Contracts Receivable	.12	1.10	1.26	2.50
Accounts Receivable	9.78	19.00	20.84	28.17
Merchandise Inventory (End of Year)	41.65	50.17	44.01	36.50
Other Current Assets	.46	2.98	8.94	2.45
Total Current Assets	62.39	80.23	81.16	76.20
Stocks and Bonds	2.58	1.80	1.48	.99
Real Estate (Not Used in Business)	.70	.59	.63	.89
Other Investments	1.61	2.57	2.13	5.80
Total Investments	4.89	4.95	4.24	7.68
Land (Owned and Used in Bus.)	5.51	1.73	2.83	1.56
Buildings (Owned and Used in Bus. Less Depre.)	21.17	4.39	6.35	5.24
Leasehold Improvements (Less Amortization Allowance)	.63	.96	.78	1.45
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.77	4.21	2.37	4.06
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.93	2.12	1.83	3.30
Other Fixed Assets	.71	1.41	.43	.51
Total Fixed Assets	32.72	14.82	14.60	16.12
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.19	10.99	8.68	15.52
Current Portion of Notes Payable	4.68	7.40	3.75	8.10
Accrued Payroll Taxes	.15	.36	.81	.41
Accrued Other Taxes	.91	.68	1.32	2.41
Other Accrued Expenses	.07	1.41	2.31	3.65
Other Current Liabilities	2.50	1.41	1.44	2.82
Total Current Liabilities	15.49	22.25	18.31	32.90
Notes Due Partners/Officers	.52	6.28	3.11	2.55
Mortgage Payable	4.59	5.14	.80	1.49
Long Term Debt	5.11	12.99	17.31	10.07
Other Long Term Liabilities	.58	.87	1.61	2.05
Total Long Term Liabilities	10.80	25.28	22.83	16.16
Total Liabilities	26.29	47.53	41.14	49.07
Net Worth	73.71	52.47	58.86	50.93
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	4.77%	9.54%	12.17%	20.40%
Active Owner's Return	17.12%	21.11%	24.63%	35.25%
Current Asset Ratio	4.03x	3.61x	4.43x	2.32x
Quick Asset Ratio	1.34x	1.35x	2.03x	1.21x
Total Debt to Tangible Net Worth	35.67%	90.59%	69.89%	96.33%
Stock Turn Times	2.70x	3.01x	3.60x	6.24x
Sales to Inventory Ratio	3.83x	4.11x	4.94x	8.29x
Average Inventory per Sq. Ft. Sales Area	$28.99	$36.25	$52.72	$81.95
Net Sales to Accounts Receivable	16.37x	10.83x	10.70x	10.54x
Net Sales to Total Assets	1.60x	2.06x	2.23x	2.97x
Net Sales to Net Worth	2.17x	3.92x	3.79x	5.83x
Net Sales to Net Working Capital	2.67x	2.61x	2.80x	4.05x
Other Operating Data				
Credit Sales — % of Total Gross Sales	73.13%	67.80%	66.80%	74.41%
Consumer Sales — % of Total Gross Sales	70.33%	54.67%	51.66%	32.41%
Selling Area — Square Feet	3,012	4,946	6,160	5,516
Sales Per Square Foot — Selling Area	$122.99	$155.53	$240.04	$641.43
Total Area — Square Feet	13,060	21,050	19,281	23,867
Sales Per Square Foot — Total Area	$25.37	$34.61	$73.47	$141.29
Sales Per Person Employed	$94,535	$107,522	$138,433	$159,940
Sales Per Customer	$33.61	$45.74	$62.66	$62.91

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Number of Outlets	59	59	184
Net Sales Volume	$1,115,577	$1,862,723	$2,300,507
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+1.79%	+13.50%	+10.14%
Gross Sales	102.57%	103.25%	102.22%
Less: Total Deductions	2.57	3.25	2.22
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.36	76.64	73.59
Margin Before Purchase Rebate or Patronage Dividend	26.64	23.36	26.41
Purchase Rebate or Patronage Dividend	.14	.16	.11
Margin After Purchase Rebate Or Patronage Dividend	26.78	23.52	26.52
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.82	2.78	2.76
Salaries — Other Employees	9.37	8.28	10.03
Federal and State Payroll Taxes	1.10	.88	1.14
Group Insurance	.81	.50	.36
Benefit Plans	.52	.57	.75
Total Payroll and Other Employee Expense	15.62	13.01	15.04
Occupancy Expense			
Heat, Light, Power, Water	.38	.34	.55
Building Repairs and Maintenance	.28	.17	.21
Rent or Ownership in Real Estate**	1.96	1.22	1.63
Total Occupancy Expense	2.63	1.73	2.39
Other Costs of Doing Business			
Office Supplies and Postage	.46	.40	.45
Advertising and Promotion	.79	.76	1.23
Donations	.04	.05	.06
Telephone and Telegraph	.31	.21	.26
Bad Debts	.54	.33	.47
Credit Card Expense (Bank Charges)	.04	.03	.05
Delivery (Other Than Wages)	.81	.83	.78
Leasing Expenses (Non-Occupancy)	.13	.06	.04
Insurance (Other Than Real Estate and Group)	.68	.71	.62
Taxes (Other Than Real Estate and Payroll)	.46	.23	.34
Interest (Other Than Real Estate)	.69	.70	1.04
Depreciation (Other Than Real Estate)	.84	.79	.69
Store and Shop Supplies	.21	.09	.12
Legal and Accounting	.58	.24	.25
Computer Services and Expenses (Other Than Wages)	.12	.11	.14
Dues and Subscriptions	.09	.08	.05
Travel, Buying, Entertainment	.20	.13	.29
Miscellaneous Services (Laundry, Disposal, etc.)	.02	.03	.03
Unclassified Expenses	.37	.71	.53
Total Other Costs of Doing Business	7.38	6.48	7.44
Total Operating Expenses	25.62	21.22	24.87
Operating Profit or Loss	1.15	2.30	1.65
Other Income	1.88	1.50	1.74
Net Operating Profit or Loss (Before Income Taxes)	3.03	3.80	3.39

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Sales Floor Size

Balance Sheet Data	**Sales Area Under 3,000 Sq. Ft.**	**3,000 Sq. Ft. To 4,999 Sq. Ft.**	**Sales Area 5,000 Sq. Ft. Or More**
Total Dollar Assets	$501,126	$677,653	$885,992
		% of Total Assets	
Assets			
Cash On Hand and In Bank	9.31	7.63	5.99
Notes and Installment Contracts Receivable	.69	.88	2.38
Accounts Receivable	19.77	30.47	23.16
Merchandise Inventory (End of Year)	37.52	38.28	41.27
Other Current Assets	3.05	3.36	5.61
Total Current Assets	70.33	80.62	78.41
Stocks and Bonds	.70	1.29	1.32
Real Estate (Not Used in Bus.)	.29	2.09	.60
Other Investments	12.85	1.72	2.94
Total Investments	13.85	5.11	4.86
Land (Owned and Used in Bus.)	1.89	1.80	2.26
Buildings (Owned and Used in Bus. Less Depre.)	8.49	4.59	6.16
Leasehold Improvements (Less Depre.)	.22	.68	1.55
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.53	3.05	3.55
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.13	2.84	2.75
Other Fixed Assets	.55	1.30	.46
Total Fixed Assets	15.82	14.27	16.73
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.97	14.64	11.87
Current Portion of Notes Payable	3.42	7.20	6.39
Accrued Payroll Taxes	.17	.38	.64
Accrued Other Taxes	1.28	.82	2.24
Other Accrued Expenses	.70	2.27	3.56
Other Current Liabilities	1.97	1.79	2.33
Total Current Liabilities	18.51	27.09	27.03
Notes Due Partners/Officers	2.91	4.00	2.68
Mortgage Payable	1.28	1.35	1.50
Long Term Debt	10.24	8.07	14.04
Other Long Term Liabilities	.52	.90	2.16
Total Long Term Liabilities	14.94	14.32	20.38
Total Liabilities	33.45	41.41	47.41
Net Worth	66.55	58.59	52.59
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	10.14%	17.81%	16.75%
Active Owner's Return	22.92%	30.86%	30.40%
Current Asset Ratio	3.80x	2.98x	2.90x
Quick Asset Ratio	1.77x	1.56x	1.37x
Total Debt to Tangible Net Worth	50.27%	70.68%	90.14%
Stock Turn Times	4.43x	5.58x	4.56x
Sales to Inventory Ratio	6.03x	7.28x	6.20x
Average Inventory per Sq. Ft. Sales Area	$119.92	$68.88	$49.79
Net Sales to Accounts Receivable	11.26x	9.02x	11.21x
Net Sales to Total Assets	2.23x	2.75x	2.60x
Net Sales to Net Worth	3.35x	4.69x	4.94x
Net Sales to Net Working Capital	3.26x	3.49x	5.05x
Other Operating Data			
Credit Sales — % of Total Gross Sales	77.78%	81.72%	67.15%
Consumer Sales — % of Total Gross Sales	36.21%	31.14%	45.49%
Selling Area — Square Feet	2,014	3,714	7,538
Sales Per Square Foot — Selling Area	$553.85	$501.53	$310.46
Total Area — Square Feet	14,300	23,244	23,138
Sales Per Square Foot — Total Area	$68.43	$69.33	$95.55
Sales Per Person Employed	$141,791	$174,116	$137,246
Sales Per Customer	$54.84	$48.58	$64.57

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	76	135	96
Net Sales Volume	$1,267,632	$2,547,106	$1,825,004
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+8.78%	+11.94%	+8.14%
Gross Sales	102.84%	102.49%	102.06%
Less: Total Deductions	2.84	2.49	2.06
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.36	74.69	73.90
Margin Before Purchase Rebate or Patronage Dividend	26.64	25.31	26.10
Purchase Rebate or Patronage Dividend	.17	.15	.08
Margin After Purchase Rebate or Patronage Dividend	26.81	25.46	26.18
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.69	2.79	2.66
Salaries/Wages — Other Employees	9.74	9.51	9.77
Federal and State Payroll Taxes	.98	1.04	1.26
Group Insurance	.53	.51	.27
Benefit Plans	.57	.72	.71
Total Payroll and Other Employee Expense	15.51	14.57	14.68
Occupancy Expense			
Heat, Light, Power, Water	.56	.39	.65
Building Repairs and Maintenance	.25	.23	.19
Rent or Ownership in Real Estate**	1.72	1.71	1.25
Total Occupancy Expense	2.52	2.32	2.09
Other Costs of Doing Business			
Advertising and Promotion	1.09	.92	1.42
Insurance (Other Than Real Estate or Group)	.87	.60	.58
Taxes (Other Than Real Estate or Payroll)	.69	.32	.16
Interest (Other Than Real Estate)	.78	.81	1.28
Depreciation (Other Than Real Estate)	.83	.64	.78
All Other Expenses	3.67	3.50	3.47
Total Other Costs of Doing Business	7.96	6.78	7.69
Total Operating Expenses	26.00	23.68	24.46
Operating Profit or Loss	.81	1.78	1.72
Other Income	2.39	1.63	1.54
Net Operating Profit or Loss (Before Income Taxes)	3.20	3.41	3.26
Financial Performance			
Profit on Investment	12.48%	18.55%	13.40%
Active Owner's Return	26.86%	33.72%	24.36%
Current Asset Ratio	3.26x	2.48x	3.98x
Quick Asset Ratio	1.46x	1.29x	1.74x
Total Debt to Tangible Net Worth	63.13%	90.46%	79.76%
Stock Turn Times	4.21x	5.87x	3.63x
Sales to Inventory Ratio	5.74x	7.86x	4.91x
Average Inventory per Sq. Ft. Sales Area	$47.45	$58.12	$64.38
Net Sales to Accounts Receivable	11.15x	10.75x	10.47x
Net Sales to Total Assets	2.39x	2.85x	2.29x
Net Sales to Net Worth	3.90x	5.43x	4.11x
Net Sales to Net Working Capital	3.26x	3.86x	2.88x
Other Operating Data			
Credit Sales — % of Total Gross Sales	71.63%	74.46%	66.97%
Consumer Sales — % of Total Gross Sales	39.90%	34.28%	54.22%
Selling Area — Square Feet	4,534	5,291	6,616
Sales Per Square Foot — Selling Area	$259.59	$460.06	$269.46
Total Area — Square Feet	23,065	20,931	19,319
Sales Per Square Foot — Total Area	$54.83	$108.91	$83.29
Sales Per Person Employed	$134,826	$161,690	$126,646
Sales Per Customer	$38.49	$59.11	$74.36

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Outlet Location II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Outlets	9	164	131
Net Sales Volume	$2,196,110	$2,161,510	$1,777,861
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ 6.49%	+ 9.42%	+11.43%
Gross Sales	101.87%	102.94%	101.63%
Less: Total Deductions	1.87	2.94	1.63
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	76.59	73.70	74.66
Margin Before Purchase Rebate or Patronage Dividend	23.41	26.30	25.34
Purchase Rebate or Patronage Dividend	.04	.13	.10
Margin After Purchase Rebate or Patronage Dividend	23.45	26.43	25.45
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.46	3.15	2.49
Salaries/Wages — Other Employees	7.84	9.55	9.94
Federal and State Payroll Taxes	.90	1.11	1.05
Group Insurance	.34	.42	.47
Benefit Plans	.89	.70	.67
Total Payroll and Other Employee Expense	13.43	14.93	14.63
Occupancy Expense			
Heat, Light, Power, Water	.32	.51	.47
Building Repairs and Maintenance	.16	.19	.25
Rent or Ownership in Real Estate**	1.38	1.41	1.90
Total Occupancy Expense	1.86	2.11	2.63
Other Costs of Doing Business			
Advertising and Promotion	.65	1.17	.98
Insurance (Other Than Real Estate and Group)	.64	.59	.74
Taxes (Other Than Real Estate and Payroll)	.06	.35	.32
Interest (Other Than Real Estate)	1.14	1.00	.86
Depreciation (Other Than Real Estate)	.76	.76	.65
All Other Expenses	2.87	3.57	3.44
Total Other Costs of Doing Business	6.11	7.43	6.99
Total Operating Expenses	21.40	24.47	24.25
Operating Profit or Loss	2.05	1.97	1.20
Other Income	1.63	1.67	1.77
Net Operating Profit or Loss (Before Income Taxes)	3.68	3.64	2.96
Financial Performance			
Profit on Investment	23.54%	16.21%	14.49%
Active Owner's Return	45.66%	30.24%	26.65%
Current Asset Ratio	1.83x	3.26x	2.80x
Quick Asset Ratio	.89x	1.59x	1.33x
Total Debt to Tangible Net Worth	129.42%	76.96%	84.09%
Stock Turn Times	5.26x	4.58x	4.94x
Sales to Inventory Ratio	6.86x	6.22x	6.62x
Average Inventory per Sq. Ft. Sales Area	$55.50	$59.66	$53.09
Net Sales to Accounts Receivable	8.42x	10.17x	12.07x
Net Sales to Total Assets	2.79x	2.52x	2.66x
Net Sales to Net Worth	6.40x	4.46x	4.89x
Net Sales to Net Working Capital	3.49x	3.30x	3.59x
Other Operating Data			
Credit Sales — % Total Gross Sales	58.08%	71.61%	68.97%
Consumer Sales — % of Total Gross Sales	27.95%	42.10%	39.33%
Selling Area — Square Feet	4,944	6,094	4,948
Sales Per Square Foot — Selling Area	$364.60	$347.45	$339.79
Total Area — Square Feet	16,112	20,428	21,905
Sales Per Square Foot — Total Area	$136.31	$92.85	$78.25
Sales Per Person Employed	$119,435	$145,587	$146,565
Sales Per Customer	$79.15	$63.59	$53.84

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Trade Area Size

Income Statement Data	**M.S.A. Central City**	**M.S.A. Surburban**	**Cities 10,000 - 50,000**	**Towns Under 10,000**
Number of Outlets	81	11	50	165
Net Sales Volume	$2,468,196	$2,747,571	$2,387,325	$1,527,692
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+ 8.98%	-6.64%	+15.21%	+10.50%
Gross Sales	102.18%	100.61%	104.28%	101.98%
Less: Total Deductions	2.18	.61	4.28	1.98
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	73.63	69.38	75.40	74.75
Margin Before Purchase Rebate or Patronage Dividend	26.37	30.62	24.60	25.25
Purchase Rebate or Patronage Dividend	.01	.09	.37	.12
Margin After Purchase Rebate or Patronage Dividend	26.38	30.71	24.97	25.37
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	3.12	2.84	2.75	2.98
Salaries/Wages — Other Employees	9.83	14.58	9.00	8.92
Federal and State Payroll Taxes	1.13	.93	.86	1.13
Group Insurance	.20	.87	.51	.59
Benefit Plans	1.03	.37	.66	.47
Total Payroll and Other Employee Expense	15.31	19.59	13.77	14.08
Occupancy Expense				
Heat, Light, Power, Water	.59	.43	.41	.47
Building Repairs and Maintenance	.15	.23	.21	.24
Rent or Ownership in Real Estate**	1.45	2.07	1.60	1.64
Total Occupancy Expense	2.20	2.73	2.21	2.35
Other Costs of Doing Business				
Advertising and Promotion	1.28	.89	.88	1.06
Insurance (Other Than Real Estate or Group)	.56	.83	.64	.67
Taxes (Other Than Real Estate or Payroll)	.21	.66	.46	.35
Interest (Other Than Real Estate)	.79	1.39	.84	1.08
Depreciation (Other Than Real Estate)	.68	.89	.68	.75
All Other Expenses	3.26	4.42	3.42	3.75
Total Other Costs of Doing Business	6.78	9.06	6.93	7.65
Total Operating Expenses	24.29	31.38	22.91	24.08
Operating Profit or Loss	2.09	- .67	2.06	1.29
Other Income	1.34	1.24	1.99	1.94
Net Operating Profit or Loss (Before Income Taxes)	3.43	.57	4.05	3.23
Financial Performance				
Profit on Investment	16.19%	1.97%	18.48%	15.72%
Active Owner's Return	30.93%	11.79%	31.02%	30.20%
Current Asset Ratio	3.73x	2.91x	2.72x	2.76x
Quick Asset Ratio	1.92x	1.42x	1.46x	1.19x
Total Debt to Tangible Net Worth	68.35%	63.73%	73.78%	98.23%
Stock Turn Times	4.94x	4.65x	5.69x	4.23x
Sales to Inventory Ratio	6.71x	6.70x	7.55x	5.66x
Average Inventory per Sq. Ft. Sales Area	$68.37	$78.19	$52.79	$53.09
Net Sales to Accounts Receivable	11.83x	12.28x	8.80x	10.94x
Net Sales to Total Assets	2.80x	2.11x	2.63x	2.46x
Net Sales to Net Worth	4.72x	3.46x	4.57x	4.87x
Net Sales to Net Working Capital	3.42x	3.87x	3.46x	3.31x
Other Operating Data				
Credit Sales — % of Total Gross Sales	68.90%	76.25%	75.45%	70.91%
Consumer Sales — % of Total Gross Sales	41.55%	26.46%	29.81%	46.67%
Selling Area — Square Feet	7,335	5,490	4,829	4,609
Sales Per Square Foot — Selling Area	$328.15	$500.44	$422.72	$317.83
Total Area — Square Feet	19,132	27,738	24,596	19,871
Sales Per Square Foot — Total Area	$124.64	$99.06	$82.46	$67.97
Sales Per Person Employed	$156,654	$143,920	$164,674	$138,260
Sales Per Customer	$72.23	$35.58	$46.51	$57.52

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**Figures may not add to totals indic[illegible] because of rounding

Number of Outlets

Income Statement Data	**Single Store Outlet**	**2-10 Stores**	**11 Stores Or More**
Number of Outlets	187	63	73
Net Sales Volume	$2,006,909	$2,271,448	$1,717,192
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+10.28%	+12.05%	+9.38%
Gross Sales	102.17%	104.09%	101.20%
Less: Total Deductions	2.17	4.09	1.20
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.39	74.89	73.38
Margin Before Purchase Rebate or Patronage Dividend	25.61	25.11	26.62
Purchase Rebate or Patronage Dividend	.18	.16	.00
Margin After Purchase Rebate or Patronage Dividend	25.79	25.26	26.62
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.85	3.18	2.58
Salaries/Wages — Other Employees	9.44	9.48	10.09
Federal and State Payroll Taxes	1.03	.96	1.39
Group Insurance	.51	.40	.30
Benefit Plans	.69	.60	.72
Total Payroll and Other Employee Expense	14.51	14.62	15.08
Occupancy Expense			
Heat, Light, Power, Water	.40	.39	.84
Building Repairs and Maintenance	.26	.19	.11
Rent or Ownership in Real Estate**	1.60	1.57	1.53
Total Occupancy Expense	2.27	2.14	2.49
Other Costs of Doing Business			
Advertising and Promotion	.94	.94	1.70
Insurance (Other Than Real Estate or Group)	.77	.65	.24
Taxes (Other Than Real Estate or Payroll)	.39	.51	.00
Interest (Other Than Real Estate)	.95	.85	1.10
Depreciation (Other Than Real Estate)	.80	.59	.62
All Other Expenses	3.53	3.60	3.56
Total Other Costs of Doing Business	7.39	7.14	7.23
Total Operating Expenses	24.17	23.90	24.81
Operating Profit or Loss	1.62	1.36	1.81
Other Income	1.86	1.63	1.35
Net Operating Profit or Loss (Before Income Taxes)	3.47	2.99	3.17
Financial Performance			
Profit on Investment	15.80%	17.33%	13.59%
Active Owner's Return	28.76%	35.75%	24.67%
Current Asset Ratio	2.78x	2.38x	4.74x
Quick Asset Ratio	1.38x	1.08x	2.15x
Total Debt to Tangible Net Worth	82.14%	90.65x	78.64%
Stock Turn Times	4.93x	5.51x	3.67x
Sales to Inventory Ratio	6.62x	7.36x	5.00x
Average Inventory Per Sq. Ft. Sales Area	$55.68	$67.24	$50.24
Net Sales to Accounts Receivable	9.56x	14.05x	11.69x
Net Sales to Total Assets	2.50x	3.04x	2.40x
Net Sales to Net Worth	4.55x	5.79x	4.29x
Net Sales to Net Working Capital	3.38x	4.07x	2.96x
Other Operating Data			
Credit Sales — % of Total Gross Sales	74.22%	70.97%	66.87%
Consumer Sales — % of Total Gross Sales	35.08%	36.92%	59.75%
Selling Area — Square Feet	4,931	4,294	7,294
Sales per Square Foot — Selling Area	$370.63	$487.55	$235.43
Total Area — Square Feet	20,716	20,312	18,973
Sales per Square Foot — Total Area	$84.57	$91.97	$90.51
Sales per Person Employed	$148,251	$132,857	$142,773
Sales per Customer	$54.62	$59.92	$64.95

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Figures may not add to totals indicated because of rounding.

Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	139	157
Net Sales Volume	$2,671,572	$1,413,506
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+11.51%	+8.26%
Gross Sales	102.93%	101.63%
Less: Total Deductions	2.93	1.63
Net Sales	100.00%	100.00%
Cost of Goods Sold	74.82	73.43
Margin Before Purchase Rebate or Patronage Dividend	25.18	26.57
Purchase Rebate or Patronage Dividend	.16	.07
Margin After Purchase Rebate or Patronage Dividend	25.34	26.64
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.87	3.14
Salaries/Wages — Other Employees	9.44	9.51
Federal and State Payroll Taxes	.91	1.30
Group Insurance	.46	.40
Benefit Plans	.74	.59
Total Payroll and Other Employee Expense	14.41	14.94
Occupancy Expense		
Heat, Light, Power, Water	.35	.74
Building Repairs and Maintenance	.21	.19
Rent or Ownership in Real Estate**	1.52	1.65
Total Occupancy Expense	2.08	2.58
Other Costs of Doing Business		
Advertising and Promotion	.77	1.62
Insurance (Other Than Real Estate or Group)	.69	.54
Taxes (Other Than Real Estate or Payroll)	.44	.17
Interest (Other Than Real Estate)	.74	1.21
Depreciation (Other Than Real Estate)	.72	.69
All Other Expenses	3.37	3.66
Total Other Costs of Doing Business	6.75	7.89
Total Operating Expenses	23.23	25.41
Operating Profit or Loss	2.11	1.23
Other Income	1.61	1.80
Net Operating Profit or Loss (Before Income Taxes)	3.72	3.03
Financial Performance		
Profit on Investment	18.91%	12.17%
Active Owner's Return	33.51%	24.79%
Current Asset Ratio	2.52x	3.94x
Quick Asset Ratio	1.36x	1.64x
Total Debt to Tangible Net Worth	78.73%	79.15%
Stock Turn Times	6.20x	3.47x
Sales to Inventory Ratio	8.29x	4.72x
Average Inventory Per Sq. Ft. Sales Area	$65.11	$45.08
Net Sales to Accounts Receivable	10.10x	11.68x
Net Sales to Total Assets	2.85x	2.24x
Net Sales to Net Worth	5.09x	4.02x
Net Sales to Net Working Capital	3.86x	2.88x
Other Operating Data		
Credit Sales — % of Total Gross Sales	75.18%	65.96%
Consumer Sales — % of Total Gross Sales	27.59%	62.66%
Selling Area — Square Feet	4,936	6,236
Sales per Square Foot — Selling Area	$517.57	$225.50
Total Area — Square Feet	25,623	18,569
Sales per Square Foot — Total Area	$97.30	$74.94
Sales per Person Employed	$165,533	$129,420
Sales per Customer	$58.60	$59.61

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contribution

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of sales area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building materials outlet carrying only these departments.

As an example, a lumber/building materials outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	= 59.1%

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/ Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space and inventory.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.58 which means $1.58 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Outlet Profile % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	5.4	16.1	7.2	129.61	5.4	16.1	7.2
Hand Tools	95.3	2.3	6.5	3.6	126.80	1.7	6.2	3.2
Power Tools & Accessories	93.8	1.9	2.7	2.8	139.12	1.4	2.6	2.5
Plumbing, Heating & Cooling	85.8	3.3	11.5	6.8	131.30	2.4	10.5	5.9
Electrical Supplies	89.1	2.3	7.4	3.0	135.15	1.6	7.0	2.5
Paint & Home Decorating	93.4	7.4	14.1	9.2	136.64	5.6	13.5	8.5
Lumber	100.0	39.7	14.2	29.0	1,237.46	39.7	14.2	29.0
Building Materials	100.0	38.3	17.2	37.1	833.91	38.3	17.2	37.1
Lawn & Garden	68.7	1.9	5.2	3.0	172.61	1.0	4.1	2.1
Housewares	18.5	1.5	2.8	2.4	94.52	.3	.9	.4
Automotive Supplies	20.4	1.1	1.4	.5	98.65	.1	.5	.1
Major Appliances & Home Entertainment	10.0	2.0	4.0	2.1	81.24	.1	.9	.3
Sporting Goods & Outdoor Living	9.5	.9	1.9	1.2	NA	.1	.4	.2
Miscellaneous Goods	53.1	7.0	9.2	4.4	207.68	2.3	5.9	1.0
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	38.1	4.3	1.66
Hand Tools	35.2	4.2	1.48
Power Tools & Accessories	31.8	3.7	1.19
Plumbing, Heating & Cooling	35.6	3.5	1.24
Electrical Supplies	36.9	4.0	1.49
Paint & Home Decorating	34.5	4.4	1.52
Lumber	23.5	8.8	2.06
Building Materials	26.8	8.2	2.21
Lawn & Garden	31.4	5.0	1.58
Housewares	27.4	2.0	.56
Automotive Supplies	27.1	5.1	1.37
Major Appliances & Home Entertainment	13.0	3.0	.39
Sporting Goods & Outdoor Living	31.0	2.9	.91
Miscellaneous Goods	31.4	8.8	2.78

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Increase Profits With SALES TRAINING

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